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Governor's Executive Budget

Fiscal Years 1994-1995
Special Session I

Governor Marc Racicot
November, 1993

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STATE OF MONTANA

MARC RACICOT
GOVERNOR

STATE CAPITOL
HELENA, MONTANA 59620-0801



November 3, 1993

MEMBERS OF THE FIFTY-THIRD LEGISLATURE, MEETING IN SPECIAL SESSION:

In accordance with Article VI, Section 9, of the Constitution of Montana, I hereby transmit to you my proposal to bring the 1994-95 biennial budget into balance by the end of the current biennium.

You can expect full cooperation from this office and the executive branch agencies during your deliberations.

Sincerely,

A handwritten signature in black ink that reads "Marc Racicot".

MARC RACICOT
Governor

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Governor's Letter of Transmittal

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Overview of Executive Budget Recommendations

When the Legislature adjourned in April of 1993, there was a sense of accomplishment among legislators because several severe and long-standing problems had been addressed. The ongoing deficit in the general fund had been addressed by holding spending from the general and school funds to approximately the level of the previous biennium. An income tax increase had been adopted which covered the remaining portion of the deficit. The participants in the session from both the executive and legislative branches recognized that neither the tax increase nor the lack of increased spending were exactly what anyone wanted. Both sides of the aisle voted for elements of the final package that they did not like and the Governor signed those bills into law even though he clearly would have preferred the much more extensive tax reform package which the legislature submitted to the voters.

The feeling of satisfaction, which lingered but briefly after the legislative session, began to fade dramatically as the campaign for the tax reform package unfolded. It became apparent that the perception in Helena that a significant amount of progress had been made was not universally shared by the electorate. Much of the tax reform campaign was focused on the portion of the sales tax revenue which would be used to replace the income tax increase approved during the session in the form of HB671. Many critics of the current level of government spending appeared to question not only the concept of the sales tax, but also the final uses of the revenues to be raised. Other critics suggested there was a better way to deal with our tax and spending dilemmas. The final result was that the tax reform was defeated by a substantial margin.

In analyzing the vote and campaign, many observers saw a very strong message about the level of government spending. This somewhat controversial conclusion gained more credibility as the campaign to gather signatures to suspend the income tax took form. In the beginning many political observers felt the petition drive had little or no chance to gain the necessary 15 percent of voter signatures in at least 51 legislative districts.

Early in the summer the Governor directed the Office of Budget and Program Planning (OBPP) to prepare a plan to balance the budget in case the petition drive was successful. He also asked for interested members of the public to contact the budget office and express their ideas about how to reduce state spending. The public response--hundreds of suggestions--was amazing and confirmed that people were indeed concerned about government spending and had good ideas to offer as well.

OBPP contacted the agencies and asked them to submit their ideas on which areas should be reduced if necessary. The agencies were very helpful and suggested areas of inquiry. OBPP staff reviewed all of the ideas from the general public and added suggestions they felt were appropriate. A preliminary list of ways to balance the budget was prepared. The list was released to the press, the legislature and all public libraries in the state as part of the administration's commitment to openness. The legislative appropriation subcommittees met and reviewed the preliminary budget, and offered suggestions and comments. This process went on through the summer. On September 8 the Governor released to the public and the Legislative Finance Committee his draft of the proposal to balance the budget if the petition drive was successful. This unprecedented and very public process proved to be warranted when at least 90 legislative districts were certified to have the signatures necessary to suspend the income tax.

At that point the Governor issued the call for a special legislative session and ordered that this final plan be prepared for delivery to that session.

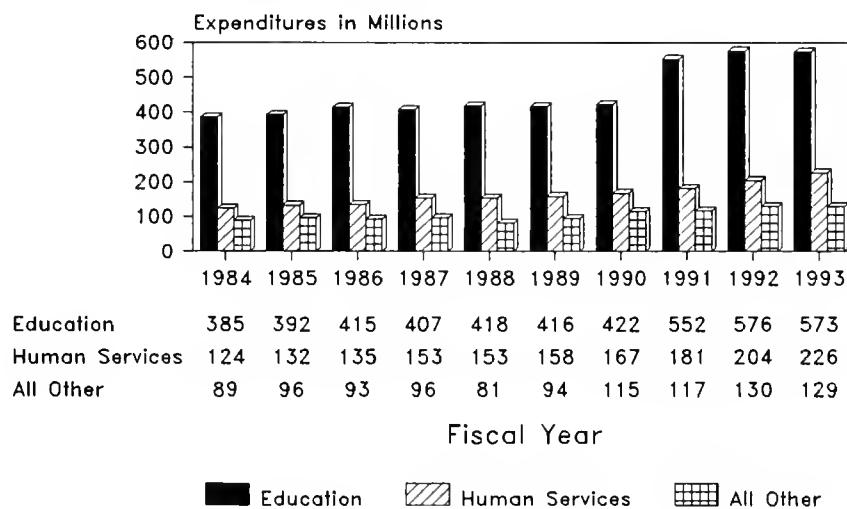
No one enjoys reducing spending in either their personal life or in government. However, we believe that we have a duty to question every dollar spent at every level of state government and that questioning must continue in years to come. We do not enjoy the luxury of conducting all our affairs as we have in the past with increases in spending every year. We are all living in an era of limits and those limits to our resources will force us to test our assumptions about the role of government, and the methods by which it delivers our services. This can be a challenging and even productive time in which we discover that there are different and better ways to operate.

We are engaged in a continuing review of government and intend to make further proposals for changes to the next regular legislative session. Those reorganization proposals are being prepared

and will be submitted for rigorous public review before the next session. We want to continue to work with the education community to study restructuring at every level. Major changes are being developed in welfare policy and in the health care services areas. We ask for your assistance in working with us in the very public process which we will undertake to develop these plans. Only by proceeding together will we be successful in making the changes that the public wants and deserves.

There has been concern expressed that the proposed reductions impact human services and education particularly hard. However, nearly 90 percent of the discretionary budget reviewed by the legislature is allocated to these two areas, so any reductions must of necessity affect these areas.

A Decade of State Expenditures General Fund and SEA by Function



Rounded to nearest million dollars.
SEA includes county equalization.

The figure above provides a graphical history of a decade of general fund and school equalization account (SEA) expenditures classified by broad service category. As shown in the graph and accompanying data table, education expenditures have increased more in total expenditures than any other category during the decade. In FY84, approximately \$385 million was spent by the state on education. By FY93, this amount increased 48.8 percent to approximately \$573 million. In FY93, education expenditures accounted for 62 percent of all general fund and school equalization account expenditures. State expenditures for K-12 education increased over \$100 million in FY91 due to financing reforms designed to provide greater equalization of education funding among the various school districts of the state.

Following education, the second largest in total general fund/SEA expenditures and the fastest growing expenditure areas of government are for human service programs (defined as expenditures by the Departments of Social and Rehabilitative Services (SRS), Family Services (DFS), and Corrections and Human Services (DCHS)). General fund human services expenditures increased from \$124 million in FY84 to \$226 million in FY93, or by 82.3 percent. This area totals 24 percent of general fund/SEA expenditures in FY93.

General fund expenditures of SRS and DFS account for almost \$80 million of the \$102 million increase in human services expenditures. Over the period, their general fund requirements have

increased by almost 120 percent, making this component one of the fastest growing of state government and, hence, a major concern for future biennium funding deliberations.

The least growth, in absolute and percentage terms, among the classifications was recorded by the "all other" category. This category includes all state general fund expenditures except those noted above and includes statutory appropriations.

"All other" expenditures have increased from \$89 million in FY84 to \$129 million in FY93, or by 45 percent. Even this low growth rate overstates agency expenditures because it includes the effects of recent laws that increased "pass through" funds. In fiscal years 1991 forward, two new statutory appropriations -- those for personal property reimbursements to local governments and state retiree supplements -- totalled approximately \$25 million. Once these two expenditures are excluded, the growth in the category is reduced to approximately \$15 million over the decade. Clearly the fiscal pressure the state has experienced since the early 1980s has constrained growth in these numerous natural resource, debt service, environmental, administrative, legislative, judicial and general government functions.

Text of the Call

STATE OF MONTANA PROCLAMATION CALL TO THE 53rd LEGISLATURE FOR A SPECIAL SESSION

WHEREAS, Article V, section 6, of the Montana Constitution provides that the Legislature may be convened in special session by the Governor; and

WHEREAS, Article VI, section 11, of the Montana Constitution also provides that whenever the Governor considers it in the public interest, the Legislature may be convened; and

WHEREAS, section 5-3-101, MCA, specifically provides that the Legislature may be convened in special session by the Governor; and

WHEREAS, Article VIII, section 9, of the Montana Constitution provides that appropriations by the Legislature shall not exceed anticipated revenue; and

WHEREAS, Article VI, section 9, of the Montana Constitution provides that it is the responsibility of the Governor to recommend measures necessary to balance the budget; and

WHEREAS, a referendum undertaken pursuant to Article III, section 5 of the Montana Constitution has resulted in both the suspension of House Bill 671 and in its placement on the ballot for approval or rejection by the qualified electors on November 8, 1994; and

WHEREAS, the suspension of House Bill 671 has made its provisions inoperative, thereby making it virtually impossible to balance the state's budget without legislative action; and

WHEREAS, it is necessary to review Montana's property tax laws in order to address sudden and significant increases in property valuation; and

WHEREAS, due to the recent United States Supreme Court decision in *Harper v. Virginia*, it must be determined whether refunds should be made to federal retirees whose pensions were taxed by the state; and

WHEREAS, maintenance and repairs to state buildings are urgently needed in order to address health and safety concerns; and

WHEREAS, these proposals require legislative action; and

WHEREAS, a special session of the Legislature to consider these matters is in the public interest of all Montanans.

NOW, THEREFORE I, Marc Racicot, Governor of the State of Montana, pursuant to the authority vested in me by the Constitution and laws of the State of Montana do hereby call the Fifty-Third Legislature into Special Session in Helena, at the State Capitol, at the hour of 9:00 A.M., the 29th day of November, 1993, and hereby direct the Special Session of the Fifty-Third Legislature to consider action on the following:

1. Legislation to balance the state's budget and address appropriate personnel and operational issues;
2. Legislation to address the property-tax system applicable to home and land owners whose property values have suddenly increased in value because of reappraisal;
3. Legislation to authorize refunds to federal retirees whose pensions were taxed by the state;
4. Legislation to address the deferred maintenance needs of state-owned facilities;
5. Legislation to encourage horizontal drilling and secondary and tertiary recovery of oil in the State of Montana;

6. Confirmation of gubernatorial appointees;
7. Appropriations to state and local government and programs, allocation of revenue, accounting procedures and budget modifications for state and local government agencies; and
8. Legislation for the purpose of implementing the matters listed in items 1-7 above, including amendments, repealers, new sections to existing statutes, or new acts.

Dated this ____ day of October, 1993.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the Great Seal of the State of Montana to be affixed.
DONE at the City of Helena, the Capitol, this ____ day of October, in the year of our Lord, one thousand nine hundred and ninety three.

/s/
MARC RACICOT, Governor

Office of Budget and Program Planning
General Fund Balance Summary
HJR3 Revenue Estimates with Legislation and Proposed Adjustments
(In Millions)

Regular Session

	Actual FY 92	Actual FY 93	Projected FY 94	Projected FY 95
Beginning Fund Balance	58.700	24.486	46.377	19.425
HJR 3 Receipts & Adjustments 1)	<u>487.036</u>	<u>539.955</u>	<u>468.193</u>	<u>614.726</u>
Total Available	<u>545.736</u>	<u>564.441</u>	<u>514.570</u>	<u>634.151</u>
Disbursements				
General Appropriations			470.706	468.682
Pay Plan Appropriations			1.619	4.875
Statutory Appropriations				
Property Tax Reimbursement			18.336	18.336
Debt Service			9.314	14.983
TRANS Interest			1.994	1.388
Retirement Benefits			3.695	3.974
District Court Reimbursements			3.798	3.397
Banking Services			0.552	0.553
DUI Testing Equipment			0.050	0.050
Emergency Assistance			0.100	
Miscellaneous Appropriations			4.979	1.199
Continuing Appropriations			2.279	
School Equalization Appropriation				124.910
Feed Bill			0.810	5.100
School Equalization Reversion			(18.087)	6.968
Reversions			(5.000)	(5.000)
Total Disbursements	<u>523.071</u>	<u>523.402</u>	<u>495.145</u>	<u>649.415</u>
Adjustments	(2.059)	(0.013)		
Residual Equity Transfer	3.880	5.351		0.344
Ending Fund Balance	24.486	46.377	19.425	(14.920)
Estimated Ending Cash Balance		31.248	(8.075)	(42.420)

1) Includes impact of HB671 suspension & proposed revenue revisions.

The preceding general fund balance table shows the projected general fund balance without any corrective action. It includes the effects of the suspension of HB 671, the refund of \$6 million in 1988 taxes to federal retirees and an upward revision of general fund and school equalization account revenues of \$6 million. The appropriations in the table represent the authority approved by the 1993 regular session with the addition of a special session feed bill.

As shown in the balance statement, the general fund would not be balanced without corrective action. The general fund would experience a deficit of about \$15 million, unless corrected. A general fund cash deficit of \$42 million would be expected using the spread between cash and fund balances adopted during regular session.

Clearly action is necessary to restore balance to the general fund and to leave an adequate ending fund balance.

The following table illustrates the effect of our special session recommendations on the general fund deficit. When net general fund expenditure reductions and revenue measures of \$39.3 million are added (\$54.1 million in expenditure/revenue items offset by a \$14.8 million federal retiree appropriation), the general fund would end the biennium with a fund balance of approximately \$24 million. The projected cash deficit would be reduced from \$42.4 million to \$3.5 million. This minimal cash deficit will be easily manageable given the availability of other available resources that can be drawn on for cash management purposes.

By way of reference, our proposals will leave the state in better fiscal order than would have resulted from actions approved during the regular session. The legislature adopted measures creating a fund balance of \$24.6 million and a cash deficit of \$17 million (LFA Appropriation Report). Our proposals leave the state with the legislatively endorsed fund balance and reduce the cash deficit by about \$13.5 million.

Adjusted for Special Session Proposals

	Actual FY 92	Actual FY 93	Projected FY 94	Projected FY 95
Adjusted Ending Fund Balance		46.377	19.425	18.580
Adjusted Ending Cash Balance		31.248	(8.075)	(8.920)
<u>Special Session Recommendations</u>				
Revenue & Fund Balance Transfers(See Following Table)		1.153	6.386	
Expenditure Reductions		(1.998)	33.759	
Proposed Ending Fund Balance	46.377	18.580	24.036	
Estimated Ending Cash Balance	31.248	(8.920)	(3.464)	

Itemization of Special Session Proposals

<u>Revenues & Fund Balance Transfers</u>	<u>FY 94</u>	<u>FY 95</u>
Coal Trust Building Maintenance Account	0.000	(0.175)
Correct Error in Coal Tax Flow to Trust to Invest Long-Term	0.578	1.168
Timber Revenue to Capitol Land Grant	0.334	1.218
Federal Fire Reimbursement to GF	0.006	0.000
Liquor Store Conversion	0.000	3.966
State Fund Cost Allocation Plan	(0.400)	(0.400)
Purchasing Service Fee	0.025	0.075
Increase Legislator Filing Fee	0.010	0.000
Increase Lobbyist Registration Fee	0.000	0.011
Increase Insurance Agent Renewal Fee	0.000	0.023
Increase Payee ID Number Data	0.050	0.100
2nd DUI License Reinstatement Fee to GF	0.300	0.300
Transfer From Crime Victim Account	0.250	0.000
<u>Bad Debt Collection of Property Taxes (SEA)</u>	<u>0.000</u>	<u>0.100</u>
Subtotal - Revenues	1.153	6.386
 <u>Expenditure Reductions:</u>		
Reduce Bonding for MSP	0.000	0.192
Federal Retiree Refund Appropriation	(14.788)	0.000
<u>Proposed Budget Reductions</u>	<u>12.790</u>	<u>33.567</u>
Subtotal - Expenditures	(1.998)	33.759
Total of Proposals	(0.845)	40.145

Summary of Special Session Recommendations

Action items recommended for legislative consideration, which increase the balance of the general fund, total \$54.1 million during the 1995 biennium. Long-term program elimination, restructuring or modification, which will reduce general fund expenditures not only in the current biennium, but also in future biennia, constitute 56 percent of the recommendations, as shown in Table 1 below.

Table 1
Summary of General Fund Reductions by Type of Action
(Millions in the 1995 Biennium)

<u>Type of Action Items</u>	<u>Amount</u>	<u>Percent</u>
Long-term savings	\$30.3	56%
Funding switches and transfers	8.5	16%
Efficiencies and cuts	6.2	11%
Delays in implementation	5.4	10%
Revenue increases/reallocations	<u>3.7</u>	<u>7%</u>
TOTAL	\$54.1	100%

Restructuring to achieve long-term savings clearly is of the highest priority due to continuing federal and court mandates, health care costs exceeding inflation and revenue growth, and the expectation that pending federal actions will negatively affect economic conditions and general fund expenditures in Montana. Because the long-term savings recommended for legislative consideration are phased in during the 1995 biennium, the savings will increase in future biennia. For example, the

recommended Medicaid program downsizing, which saves \$11.2 million general fund during the 1995 biennium, is projected to save about \$16.6 million general fund during the 1997 biennium. Even after these reductions, an additional \$59 million general fund is projected to be required for Medicaid during the 1997 biennium.

The largest item in funding switches and transfers is \$6.1 million of additional six-mill levy revenue resulting from higher-than-anticipated revenues in FY92 and FY93, and property reappraisal. Approximately \$1.5 million per year of the six mill levy revision represents ongoing increases in revenue projections. The second largest item is \$1.3 million for recovery of general fund costs for statewide services. Just as corporations across the country are revising cost recovery to reflect actual experience, so to must state government begin to reflect its business patterns in appropriations.

Efficiencies and reductions in services constitute 11 percent of the total recommendations. The largest item is \$3.5 million resulting from conversion of state liquor retail operations. The next largest item is \$1.8 million from eliminating the clean coal program and revising the flow in the bond fund which was amended during the 1993 regular session to inadvertently prevent bond fund long-term investments.

Delays in implementation include recommendations which will be reconsidered during the 1995 regular legislative session. The largest item in this category is \$4.6 million general fund savings from delaying inclusion of full-time special education students in the district ANB. Such delay had been contemplated in SB348 which initially proposed the inclusion of full-time special education students in FY96.

Of the \$3.7 million in revenue increases and reallocations, \$3.5 million is for increased non-resident tuition and fees in the Montana University System.

Of the total \$54.1 million recommended, \$1.4 million directly or indirectly affects local government, comprised of the \$600,000 from half of the DUI license reinstatement fee which was to have been distributed for the first time to cities and towns for miscellaneous non-traffic safety-related programs; an estimated \$523,000 for recovery of natural resource and corporate tax collections and audit costs; and \$265,000 for repeal of the school trust lands equalization payments beginning in FY95. The local government impact is 2.6 percent of the total reductions and 1.5 percent if the never-received, new money is excluded. To put these reductions in perspective, the state transferred approximately \$154 million in the 1993 biennium to local governments (excluding SEA and district court reimbursement). These recommended reductions represent 0.9 percent of total local government support.

In addition, public schools are impacted as funding schedules are reduced by 1.5 percent, thereby decreasing state aid approximately 1.3 percent. The combined effect of reducing the funding schedules and delaying counting full-time special education students is an approximate 2.5 percent reduction in previously-appropriated funds for FY95. These actions will leave public school support over \$7 million higher in FY95 than in the current 1994 fiscal year, from which no reductions are proposed.

Looking only at the recommended long-term reductions, efficiencies, service cuts and delays in implementation, Table 2 below depicts the impact of the \$41.93 million of recommended reductions. Funding switches and revenue increases/reallocations are excluded from this table.

Table 2
Summary of General Fund Reductions by Subcommittee
(Millions in the 1995 Biennium)

Subcommittee	GF Appropriated*	Percent	Recommended Items	Percent	GF Remaining	Percent
	Amount		Amount		Amount	
A-General Government	\$ 106.32	6.0%	\$ 6.65	15.9%	\$ 99.67	5.8%
B-Human Services	324.22	18.3%	11.96	28.5%	312.26	18.1%
C-Natural Resources	29.22	1.7%	1.87	4.5%	27.35	1.6%
D-Institutions & Cul Ed	160.29	9.0%	0.63	1.5%	159.66	9.2%
E-Education						
K-12 1	909.59	51.3%	12.89	30.7%	896.70	51.8%
University System	228.42	12.9%	2.01	4.8%	226.42	13.1%
F-Long-Range Building 2	<u>14.16</u>	<u>.8%</u>	<u>5.92</u>	<u>14.1%</u>	<u>8.24</u>	<u>.5%</u>
TOTAL	\$1772.22	100.0%	\$41.93	100.0%	\$1730.29	100.0%

* General Fund Appropriated includes HB2, HB198, HB5, the school equalization account, and statutorily-appropriated general fund for debt service on new capital construction projects.

1 K-12 includes OPI, distribution to public schools, the Board of Public Education, and the School for the Deaf and Blind. The Department of Revenue estimates school districts levied \$51.4 million more in FY94 than in FY93. District levies are not included in the amounts shown in Table 2. The reduction for K-12 education is approximately 1.5 percent of biennial appropriations for schools.

2 The general fund appropriated includes \$2.6 million general fund, cigarette tax for the cash program and projected straight-line debt service payments for new bonded projects.

Table 2 above shows by appropriations subcommittee the general fund currently appropriated for the 1995 biennium, the \$41.93 million in general fund recommended reductions, and the amount that would remain if the executive budget recommendations all were adopted. The administration rejected and continues to resist across-the-board cuts, opting instead for a careful review of citizen input, agency recommendations and analysis of programs and services. Because the subcommittees are organized primarily by service area, it was deemed necessary to determine whether any function of state government was being impacted significantly more than others.

The middle columns above show that K-12 has the largest reduction, both in terms of dollar amount and percentage. However, the last column shows that K-12 gains slightly in the remaining percentage of general fund appropriated for public schools. The second highest dollar and percentage reduction is in human services, primarily in the Medicaid program, because it is essential that the state be positioned financially for the anticipated maintenance-of-effort requirements under federal health care mandates.

The last column above shows that the most significant impact in relative and absolute terms is on long-range building. However, this reduction would be offset by passage and approval of the legislation to utilize the funds already appropriated for the clean coal program for maintenance projects over the next seven years.

Revenues and Fund Balance Transfers

Coal Trust Building Maintenance Account

It is recommended that legislation to create a state building maintenance fund within the coal severance tax trust fund, for a seven-year period from FY94 through FY00 using the \$35 million balance in the clean coal technology demonstration fund, be adopted. The legislation will repeal statutes which established the clean coal technology demonstration fund, clean coal loans, clean coal

technology projects program and tax exemption. Montana has not been and will not be selected by the federal Department of Energy for the project.

The \$2.6 million general fund appropriated for major maintenance during the 1995 biennium is recommended as part of the budget reductions. To respond to maintenance needs, \$5 million coal severance tax no longer required for clean coal technology would be added each year. These actions would be an amendment to Chapter 624, Laws of 1993, in HB2. The 1995 biennium general fund cost in lost interest earnings would be no more than \$175,000 depending on timing of project expenditures. This cost projection is included on the balance sheet.

Agencies requested more than \$191 million in state funding for life-safety codes, regulatory compliance and continued operation of state buildings during the 1995 biennium. Because the cigarette tax will continue to be a declining revenue source for the long-range building program, the Governor is recommending that the \$35 million already appropriated for the clean coal program be used to respond to long-delayed maintenance of state facilities throughout Montana. For a detailed list of the recommended projects and further information, see the Long-Range Planning section of the executive budget.

Correct Error in Coal Tax Flow to Trust

Amendments made to 17-5-701, MCA, during the January 1992 special session inadvertently eliminated the clause that allowed for transfers of excess amounts from the coal trust bond fund to the permanent trust. Under current law, the transfer is allowed beginning this fiscal year to the treasure state endowment fund.

Inability to legally transfer amounts from the bond fund to the trust has resulted in \$37.067 million of bond fund investments in STIP -- roughly equal to two years of coal severance tax trust revenues. Federal arbitrage laws prohibit their investment in higher yield long-term securities without a significant penalty to the state. Moreover, if the transfer was made this fiscal year, the entire amount would have to be deposited in the treasure state endowment fund, not the trust, which was never intended nor contemplated.

The proposal corrects this error by providing for the transfer of the excess bond fund proceeds to the permanent coal trust. With this legislation, the funds would be available for long-term investment at rates much greater than in STIP. Additional interest earnings for the general fund and school equalization account of almost \$1.175 million are expected, if these funds were allowed to be invested in long-term securities.

Recommended legislation also will make minor changes in the allocation of receipts between the treasure state endowment fund and the permanent trust. This change is consistent with the intentions of the authors of the treasure state endowment program and explanations provided to the public. Further, the change will result in more predictable flows to the accounts and eliminate unnecessary paperwork created by the transfer of investments between the accounts.

Timber Revenue to Capitol Land Grant

During the 1992 special session, the legislature passed HB3 which provided that revenue from state timber sales on public school lands would be deposited in the school equalization account. This provision was made permanent for the schools by HB667. The executive budget recommendation extends the provision to the capitol building trust lands. Timber sale revenues on capitol land grant lands are proposed to be deposited to the capitol land grant account effective January 1, 1994. Excess funds in the capitol land grant account are appropriated by language in HB2 for debt service, thereby reducing the general fund cost of debt service. The net impact is additional revenue of \$334,000 in FY94 and \$1,218,000 in FY95 for debt service, which reduces general fund statutory appropriations by a like amount.

Federal Fire Reimbursement

The Forestry Division of the Department of State Lands works cooperatively with the Bureau of Land Management (BLM) and the U. S. Forest Service (USFS) in the suppression of wildfires. The Forestry Division assists in fire suppression activities on some federal land, while BLM and/or USFS assist in fire suppression activities on some state land. The agency providing the fire suppression services then bills the land managing agency for the reimbursement of actual costs incurred. The Forestry Division pays BLM or USFS for suppression services provided by the agency(s) for wildfires on state lands. In turn, the Forestry Division will be reimbursed by BLM or USFS for fire suppression services they have provided on federal land. The federal reimbursement funds received are deposited directly into the general fund except for the first \$100,000. The Forestry Division has federal appropriation authority of \$100,000 to cover additional personal service costs (overtime and temporary employees) incurred when division staff are called out to fight fires. There is \$6,000 on the balance sheet for federal reimbursement which the DSL will absorb for its overtime and temporary employees.

Liquor Store Conversion

Unlike recent proposals, which would have converted state-operated liquor stores to agencies, this proposal would divest the state of liquor retail operations based on the view that the state has no compelling interest in operating retail distribution. Furthermore, divestiture of retail operations reduces state costs while promoting private enterprise. Liquor would be retailed by the existing all-beverage licensees (approximately 1,500) taking delivery of inventory directly from the state warehouse. This proposal would affect an estimated 75 store employees and 81 contract agents. The administration will proceed immediately to work with the affected individuals in developing a satisfactory arrangement. A new statewide wholesale price structure would be established which would be an average 5 percent lower than the current retail price at state stores. Turnover of the state's existing retail liquor inventory would generate approximately \$5 million for the liquor enterprise fund by the end of FY95. Termination costs, estimated at approximately \$1.5 million, would offset this one-time savings, resulting in estimated net proceeds of approximately \$3.5 million by mid-FY95. Operating costs of the liquor division would decrease by approximately \$2.6 million and a net reduction of 47.50 FTE and liquor profits deposited to the general fund would increase by approximately \$800,000 per year once the proposal is fully implemented, beginning in November of FY95. There would be no change in current liquor tax and license revenue. For further information, see the narrative under the Department of Revenue in the General Government and Transportation section of the executive budget.

State Fund Cost Allocation Plan

The executive budget recommendation is twofold: First, all recoveries of indirect costs would be deposited to a state special revenue account, managed by the Department of Administration (DoA), from which statewide central services would be budgeted. This structure creates an entity responsible for collecting indirect costs with relatively strong incentives for oversight in maximizing federal cost recoveries. It also would illuminate for the legislature and public, and therefore hold DoA accountable, in the budget process the extent to which costs are being recovered. Second, expanding the scope of indirect cost recovery would significantly reduce general fund expenditures for core "infrastructure" services for which nongeneral fund sources do not currently contribute.

The current SWCAP mechanism, recovering costs from federal sources, would continue to operate as it does now. Cost recovery from nongeneral fund/nonfederal fund sources would be accomplished with the second mechanism, a State Funds Cost Allocation Plan (SFCAP). In the 1995 biennium, SFCAP and SWCAP recoveries would reduce general fund expenditures by \$465,215 in the Accounting and Management Services Division, by \$502,386 in the Personnel Division, and by \$321,249 in the Office of Budget and Program Planning. For further detail on this recommendation, see the Department of Administration under the General Government and Transportation section of the executive budget.

Purchasing Service Fee

The executive budget proposes implementation of a contract management fee which would be collected by vendors who are awarded purchasing contracts and rebated to the purchasing bureau in the Department of Administration. When fully implemented, these fees would replace the general fund support of the purchasing bureau. Vendors would collect the fees from state agencies and any other political subdivisions which purchase items from state contracts. This is similar to programs which have been successfully implemented in other states. This proposal is most closely modelled on a program implemented by the state of Washington. Because contracts are generally on a three-year cycle, this proposal would not be fully implemented until the end of the 1997 biennium. For the 1995 biennium, the purchasing bureau would continue to be funded from the general fund with the proceeds from contract management fees being deposited to the general fund. A preliminary estimate is that approximately \$100,000 would be deposited to the general fund in the 1995 biennium and this amount is included on the balance sheet. As the department gains experience with the program, the fee revenue would be deposited in the 1997 biennium to a special revenue account, from which the purchasing bureau would be funded.

Increase Legislator Filing Fee

An increase in the filing fee for legislative candidates from \$15 to nearly \$50 (0.5% of the biennial compensation) would be consistent with the fee structure for all other elected officials and would increase general fund revenue by about \$10,000 per year. The legislation is being introduced and the revenue is on the balance sheet for FY94.

Increase Lobbyist Registration Fees

The current fee is \$10 for non-state employee lobbyists and no fee for state employees. About 500 of the 800 registered lobbyists pay the \$10 fee and would be subject to an increase to \$25. State employees would be charged \$10 for total additional revenue of \$10,500 in FY95 [(\$15 x 500) + (\$10 x 300)]. The revenue is on the balance sheet.

Increase Campaign Finance Report Price

The current \$25 price for the biennial Campaign Finance Report published by the Commissioner of Political Practices is not based upon all costs of compiling and publishing the report. Full-cost pricing would justify an increase for the next volume produced in FY95 and available for sale by July, 1995. A \$10 price increase to \$35 for 250 copies would generate \$2,500 additional general fund revenue in FY96.

Increase Insurance Agent Renewal Fee

Automation of the annual insurance agent renewal process will save postage and associated operating costs in the State Auditor's Office in FY95. In addition, an increase in fees from \$10 to \$15 per year is recommended for those agents who continue to utilize the more-costly paper renewal system. This will result in increased revenue deposited to the general fund of \$23,000 per year beginning in FY95. Legislation is required to implement these changes and the revenue is included on the balance sheet.

Increase Payee ID No. Data

Bad debt collection efforts in the State Auditor's Office depend upon the input of payee identification numbers into payee files. To the extent that pertinent information is available from applications, licenses, and other sources, increased cooperation among state agencies as to the input of social security and driver license numbers into payee files will enable increases in the number of refund warrants captured for those owing debts to the state. The potential increase in general fund revenue is projected to be \$50,000 in FY94 and \$100,000 in FY95 as included on the balance sheet.

Second DUI License Reinstatement Fee to General Fund

Special Session I action, in January, 1992, authorized deposit of the second \$50 of each \$100 driver license reinstatement fee to the general fund for the 1993 biennium. Effective for FY94, 61-2-107(2)(b), MCA, requires deposit of these fees in a state special revenue account "to be distributed to county treasurers" who "shall distribute the money to each incorporated city or town in the county" who "shall distribute the money to state and local government entities, and private entities working with state and local government entities." This required multiple pass-through of an estimated \$300,000 each year of the 1995 biennium can ultimately be used for a variety of youth and adult services, law enforcement equipment, etc, which are not all closely related to traffic safety, driver improvement services or alcohol/chemical dependency treatment and prevention. No distributions will be made until the end of FY94 so the full \$600,000 would be deposited to the general fund in the biennium. Since the provisions never have been implemented, this would not be a reduction to cities and towns. Legislation is recommended and the \$600,000 is included on the balance sheet.

Transfer From Crime Victims Account

It is recommended that \$250,000 be transferred to the general fund in FY94 from the crime victims benefits account. This will not affect payments to claimants and will avoid a buildup of funds in this state special revenue account. Further, legislation will be proposed to cap the account balance at \$500,000 with any future excess automatically deposited to the general fund. Increased awareness of the program benefits may increase the number of claims and future expenditures. Implementation of a cap will merely avoid the creation of a balance above the amount necessary to make payments to victims of crime on a timely basis. The \$250,000 transfer is shown on the balance sheet.

Bad Debt Collection of Property Taxes (School Equalization Account)

Bad debt collection currently is available to state agencies and the Internal Revenue Service under a trial agreement. If the bad debt collection procedures were applied to delinquent property taxes, additional revenue could be collected. Approximately 40 percent of property tax revenues offset general fund expenditures through the school equalization account and the 6-mill university levy. Legislation is required to authorize counties to utilize the bad debt procedure and is recommended by the State Auditor's Office. The potential increase in general fund revenue is projected to be \$100,000 per year beginning in FY95.

Expenditure Reductions

Reduce Bonding for Montana State Prison

It is recommended that the capital construction projects authorized by the 1993 Legislature proceed as adopted and approved in HB5, Chapter 624, Laws of 1993, with the exception of the Montana State Prison. There is a balance sheet savings of \$192,000 in 1995 biennium general fund debt service payments which would result from issuing the bonds for the miscellaneous projects at the Montana State Prison for about \$2 million less than originally appropriated. Realization of this savings is contingent upon passage and approval of three recommended special session bills: (1) statutory appropriation for balances in the prison industries account; (2) dairy dorm construction with assistance from inmate labor; and (3) installation and maintenance of the security fence by prison staff. For additional information, see the Long-Range Planning section of the executive budget.

Federal Retiree Refund Appropriation

The administration will propose legislation to enable the Department of Revenue to provide all federal retirees with refunds on income taxes paid on federal pension income during tax years 1983 through 1987. The refunds will have the effect of taxing federal pension income the same as state pensions during this period. The proposed legislation will authorize the Department of Revenue to

immediately pay refunds, with interest, to federal retirees who have filed amended returns within the five-year statute of limitations. To date, 16,092 timely claims have been filed for tax years 1983 through 1987 for a total of \$8,578,433 in refunds and an additional \$6,090,057 in interest accumulated through January 31, 1994. In order to avoid additional interest due, the department will require an administrative appropriation for \$119,924 in FY94, primarily for overtime expenses. The total general fund cost for the 1995 biennium is \$14,788,414.

In addition, the legislation will allow the department to provide nonrefundable credits over a four year period to federal retirees who did not file timely refund claims for tax years 1983 to 1987. These nonrefundable tax credits, which would not include interest, would be applicable for tax liabilities beginning with tax year 1995. Any unused portion of the credit would be available for subsequent tax years. The department's preliminary estimate is that 80 percent of the remaining potential claims would be filed for a revenue expenditure of \$7,812,614 for these claims.

Background

From 1983 to 1988, Montana, pursuant to state law, treated state and local government pension income more favorably than federal and private pension income for personal income tax purposes, as did twenty-three other states. During this time, all state and local government pension income was exempt from state income taxes, whereas federal and other private pension income in excess of \$3,600 per year was taxable. In March of 1989, the United States Supreme Court ruled in Davis v. Michigan that federal pension income could not be treated differently from state and local pension income. As a result of the Davis decision, the State District Court exempted all federal pension income pending legislative action. In the 1991 legislative session, the law was changed to make taxable all pension income in excess of \$3,600.

Following the Davis decision, several states faced further litigation for retroactive application of the Davis decision for federal pensioners. In the summer of 1989, in Sheehy et.al. v. Montana, Montana too was facing a lawsuit in which the plaintiffs argued for retroactive application to the previous five years, 1983 through 1988. At the time the Davis decision was announced, just prior to the deadline for filing 1988 taxes, the department advised federal pensioners in a press release to pay their 1988 taxes under the existing state law at the time (federal and private pension income taxable in excess of \$3,600) and to file for a refund. The Department of Revenue resisted the retroactive application and was sustained by both the District Court in July, 1990, and by the Montana Supreme Court in February, 1991.

Concurrently, several other states were in litigation on the retroactive application of Davis. Ultimately, Virginia took the question to the United States Supreme Court in Harper v. Virginia. This case was decided earlier this summer, suggesting that while the Davis decision should be applied retroactively, if a state provided its taxpayers adequate "predeprivation" remedies, it would not be required to issue refunds--that is, if state law provides some avenue by which a taxpayer can withhold payment of contested taxes, the state would not be liable to provide refunds. The Department of Revenue's position is that adequate predeprivation remedies do and did exist and, therefore, the state has no legal liability to provide refunds. Whether Montana's predeprivation remedies were sufficient to meet the requirements established in Harper is now pending before Montana's courts, but would be largely rendered moot upon adoption of the administration's proposed legislation.

However, in light of the Harper decision, the department has determined that the advice given to federal pensioners for 1988 taxes may have had the effect of rescinding what would have otherwise been adequate predeprivation remedies, and, therefore, the state has a legal obligation to provide refunds to federal pensioners for 1988 taxes, only. In August of 1993, the Racicot administration announced that it would pay approximately \$6 million in refunds and interest (at 9 percent per year, as required in statute) to federal pensioners for 1988 taxes. Since tax year 1988 is within the five-year statute of limitations on filing for a refund, and because a legal obligation exists, the refunds could be made without further legislation. Federal pensioners have until April 15, 1994, to file for a refund for tax year 1988.

Although the Department of Revenue has determined that no legal obligation exists to pay refunds for 1983 through 1987, as a matter of fairness and equity, the Governor will recommend to the Montana legislature that the state issue refunds to federal pensioners for 1983 through 1987. Since

a legal obligation does not exist and the statute of limitations for filing amended returns for this period has lapsed, special legislation, including an appropriation, will be required.

Proposed Budget Reductions

The proposed budget reductions, to be made primarily in HB2, total \$12.790 million in FY94 and \$33.567 million in FY95. They are contained in the portion of the executive budget which is organized by appropriations subcommittee.

Regarding format and parameters of the proposed actions, recommendations affecting the general appropriations act are presented for each appropriations subcommittee. First, there is a summary table for all subcommittee agencies, except the State Fund which has a statutorily-appropriated operating budget. The summary table shows the FY92 and FY93 actual expenditures by agency by fund type; the FY94 and FY95 appropriated levels for HB2 and HB198 (pay plan); the executive budget recommended levels; the difference between the appropriated and recommended amounts for each year of the 1995 biennium; and the percentage changes from the 1993 biennium actual to the recommended and from the 1995 biennium appropriated to the 1995 biennium recommended. The recommended appropriations include all action items, including statewide recommendations.

Second, there are program tables by agency showing the total operating budgets for the 1995 biennium, comprised of both HB2 and HB198 appropriations to provide complete information for legislators. Each item recommended for action is summarized below the program table, with the columns to the right of the action items showing the general fund impact of adopting that item. Program tables show the total impact for all funds of adopting the action items listed for that program. The tables exclude statewide issues, i.e., computer processing rates, rental rates and SFCAP, which are presented for legislative consideration prior to database entry. These tables are presented only for agency programs with recommended items in order to reduce the size of the special session budget book. Therefore, the totals for each agency on the summary table described above will likely exceed the total of the published program tables for an agency.

Reductions are recommended in the general appropriations act, HB2 as introduced, unless otherwise indicated. Policy initiatives and recommendations affecting other statutes are presented in the front summary section of the executive budget.

School Equalization Account

	ACTUAL FISCAL 1992	ESTIMATED FISCAL 1993	ESTIMATED FISCAL 1994	ESTIMATED FISCAL 1995
BEGINNING FUND BAL	8.474	2.552	10.706	0.000
ADJUSTMENTS	(7.586)	3.517		
REVENUES				
STATE EQUALIZATION				
INCOME TAX	92.880	101.544	104.358	0.000
CORPORTATION TAX	14.975	18.697	16.994	0.000
COAL TAX	6.169	4.045	4.440	4.437
I & I	39.616	41.674	40.985	42.517
US O & G	21.150	21.800	20.664	20.968
40 MILLS	63.053	64.921	68.197	69.968
INTEREST EARNINGS	0.108	0.131	0.811	2.771
HB20 REIMB	2.341	2.341	2.085	2.085
MISCELLANEOUS	11.218	5.842	6.057	6.397
COAL TRUST INT	7.060	6.756	6.956	0.000
LOTTERY	5.494	8.062	9.204	9.204
TOTAL STATE EQUALIZATION	264.065	275.813	280.751	158.347
COUNTY EQUALIZATION				
55 MILLS	85.767	90.028	93.770	96.203
HS TUITION	(0.993)	(0.873)	(1.129)	(1.129)
CASH REAPPROP	6.718	12.203	0.000	0.000
FOREST FUNDS	2.306	2.425	2.599	3.017
TAYLOR GRAZING	0.150	0.149	0.150	0.150
MISCELLANEOUS	29.661	29.959	27.937	26.994
TOTAL COUNTY EQUALIZATION	123.609	133.891	123.327	125.235
GENERAL FUND APPROPRIATION	12.100	19.900	0.000	124.910
TOTAL AVAILABLE	400.662	435.673	414.784	408.492
EXPENDITURES				
DIRECT STATE AID	347.733	354.844	270.338	277.582
GTB AID	30.905	30.355	102.592	114.320
RETIREMENT GTB	15.214	15.606	17.184	17.844
DEBT SERVICE GTB		0.000	1.000	1.000
TRANSPORTATION- HB2	3.908	3.914	3.908	3.914
TELECOMMUNICATIONS- HB2	0.148	0.153	0.200	0.200
HB652 - SIMMS GRANT	0.000	0.000	0.500	0.500
HB667 ADMINISTRATION - OPI	0.000	0.000	0.400	0.000
SB278 CHILDREN'S TREATMENT FACILITIES	0.000	0.000	0.500	0.000
TAX INCREMENT DISTRICTS	0.018	0.008	0.000	0.000
BONUS PAYMENTS	0.184	0.187	0.075	0.100
TOTAL EXPENDITURES	398.110	405.067	396.697	415.460
REVERSION (SUPPLEMENTAL)	2.552	19.900	18.087	(6.968)

Proposed Special Session Actions

REDUCE BASE FUNDING FORMULA 1.5%	(5.203)
DELAY INCLUSION OF FULL TIME SPECIAL ED ANB	(4.617)
REDUCE TRUSTEE BUDGET INCREASE 4% TO 2%	(0.790)
REDUCE CONSOLIDATION DISINCENTIVE	(0.680)
CORRECT COAL TAX FLOW	(0.102)
NATURAL RESOURCE TAX RECOVERY	0.099
REVERSION (SUPPLEMENTAL)	18.003
	4.325

School Equalization Account Recommendations

The table on the previous page summarizes the revenue, expenditures, and affect of the proposed special session actions in the school equalization account. Revenues in FY93 exceeded estimates by \$5.4 million due chiefly to an additional \$2.7 million lottery revenue and \$4.6 million county equalization revenue. These were offset by a \$1.7 million shortfall in corporation tax revenue. Revenues in the 1995 biennium are anticipated to fall short of post-session estimates by approximately \$3.2 million. Repeal of HB671 reduces income tax revenues by \$12.3 million in FY94. Lottery revenues are anticipated to be \$6.8 million higher than initially estimated in the 1995 biennium, and the estimate of county equalization revenues is \$2.3 million higher. The previous section on revenue estimates gives further detail on these changes.

The special session budget contains proposals to reduce school equalization account expenditures by \$10.4 million. These proposals are listed below with further explanation.

o Reduce funding formula by 1.5 percent

This proposal will reduce the school district basic entitlement and total per-ANB entitlement by 1.5 percent. The table below shows the changes to these entitlement levels. This will save approximately \$5.2 million general fund in FY95.

	High School <u>Current</u>	High School <u>Proposed</u>	Elementary <u>Current</u>	Elementary <u>Proposed</u>
Basic entitlement	\$200,000	\$197,000	\$18,000	\$17,730
Total per-ANB entitlement	4,900	4,826	3,500	3,448

o Delay Inclusion of Full-Time Special Education Students in District ANB

Under HB667, full-time special education students who currently are not counted in the ANB of a district for funding purposes would begin to be counted in FY95. This increases the statewide ANB by approximately 2,000 and increases the FY95 state cost by \$4.6 million. Further delay of this provision, contained in SB348 which revises the payment system for special education students, would not remove from any district money which it is now receiving. In SB348 the provision was not made effective until FY96.

o Reduce Trustee Budget Increase Limit Without a Vote to 2 Percent

Under HB667, the district trustees are allowed to increase budgets by 4 percent or 4 percent/ANB without a vote of the district. Reducing these limits to 2 percent would increase voter involvement and the accountability of the district and, very likely, reduce expenditures. The state would benefit as the reduced spending would lower state GTB costs by approximately \$790,000 in FY95.

o Reduce Disincentive for Consolidation Found in Current Equalization Schedules

Former-Governor Ted Schwinden, in his recent study of school consolidation, questioned whether high schools of less than 35 ANB adequately serve the interests of students or taxpayers of the districts and cited HB667 as creating a disincentive to consolidation. This disincentive appears in the form of the higher levels of direct state aid paid to smaller schools. Two high schools of 30 ANB each would receive \$277,426 direct state aid (i.e., without any local tax effort) while one high school of 60 ANB would receive only \$197,246 direct state aid. If the schools can be effectively combined and improve the education provided to students, the \$80,180 acts as a disincentive to such action.

This proposal would require any high school with 35 ANB or less, and which is closer than 25 miles to the nearest district, to pay one-half the state portion of the basic entitlement payment of \$80,000 with district funds. This would require amendment of current statute relating to isolation status of districts. A similar procedure is already in effect for non-isolated elementary districts of 9 ANB or fewer. This action would save approximately \$680,000 in FY95. A list of the affected districts, their ANB and distance to the nearest school, follows.

<u>County</u>	<u>District</u>	<u>Distance to Nearest School</u>	<u>ANB</u>
Daniels	Flaxville	11	28
Daniels	Peerless	20	32
Gallatin	Willow Creek	5	23
Golden Valley	Lavina	17	25
Golden Valley	Ryegate	17	28
Hill	K-G high school	15	34
Judith Basin	Geyser	15	34
Petroleum	Winnett	23	31
Richland	Savage	21	35
Roosevelt	Bainville	15	34
Rosebud	Rosebud	12	30
Sheridan	Outlook	19	22
Sheridan	Westby	24	32
Stillwater	Rapelje	25	24
Stillwater	Reedpoint	17	29
Valley	Hinsdale	13	26
Yellowstone	Custer	21	28

o

Correct Coal Tax Flow

This represents the gain in interest revenues to the SEA associated with depositing coal tax funds to the permanent trust fund which are currently trapped in the coal trust bond fund. The latter fund is invested at lower short-term rates. See narrative following general fund table for further detail.

o

Natural Resource and Corporate Tax Recovery

It is proposed the Department of Revenue allocate the costs of collection to the various governments which receive the tax revenues. These charges will reduce revenue to the school equalization account as counties are assessed for their share of collection costs and audit. See narrative for Department of Revenue, Corporation Tax Division for further detail.

Policy Initiatives with No Fiscal Impact

Employee Incentive Program

The administration proposes legislation which would strengthen the existing employee incentive program authorized under Title 2, Chapter 18, part 11. The purpose of this legislation is to provide an employee incentive award program to recognize those employee groups, teams, work units or individual employees who, through their excellence, have significantly reduced the cost or improved the effectiveness of state government. Awards are intended to recognize actual accomplishments where cost savings or program improvements are demonstrated and documented. The number of awards is specifically limited to emphasize that this recognition is reserved for those employees and employee groups who exemplify the highest level of excellence in public service.

The current program authorizes the Department of Administration to approve awards, which are then made at the discretion of the agency director, to employees who submit suggestions which reduce the cost of governmental operations. The amount of the award is 10 percent of the estimated savings up to a maximum of \$3,000. Employees are not eligible for awards if their suggestions are related to their assigned job duties unless determined to be so meritorious as to warrant special recognition.

This legislation will improve the existing employee incentive program by broadening the objective and allowing agencies greater discretion and ability to reward employees for excellence in the work site. This legislation will provide direct incentives to state employees to participate in efforts to save the state money and improve the effectiveness and efficiency of state programs. The legislation gives agency managers a specific tool for recognizing and encouraging these efforts. The highlights of the proposed legislation are:

- Employees would be eligible for awards for documented achievements in their area of assigned duties. The most fertile source of effective cost savings or improvements is the employees who are familiar with a particular program or procedure.
- Awards would be based on results. While employees who initially suggest and develop ideas would continue to be eligible, awards would be made when the suggestion is implemented and produces a measurable outcome.
- The employee incentive program would focus on team performance. Although individuals may still be recognized, successful ideas for improving the efficiency and effectiveness of government often require the cooperation and team effort of many individuals.
- Awards would be made not only for efforts which reduce the costs of governmental operations, but also for initiatives which improve the quality of service without increasing costs--doing more with the same amount of resources. The current program, in practice, is narrowly focused on cost reductions. While cost savings would continue to be rewarded, there are many other areas of improvement in services and efficiency which should be equally encouraged.
- The process would be streamlined by eliminating the advisory council and Department of Administration approval. Agencies are in the best position to evaluate successful results. Additional review layers by persons who, most often, have little knowledge or expertise simply delay the process.
- Agencies would be authorized to award leave time in lieu of cash awards. Many agencies may not have adequate budget resources to make cash awards, particularly when initiatives produce long-term savings or improve program effectiveness without necessarily decreasing program costs. In addition, agencies would be permitted to make cash awards from prior year savings, providing an incentive for both employees and managers to reduce expenditures during the fiscal year, and further discouraging the tendency to "spend it or lose it".
- The maximum award would be reduced for the following reasons: to allow agencies to reward team efforts, rather than only one or two individuals, due to budget constraints; to reduce the

disparity among agencies which have differing levels of budgetary flexibility in their ability to recognize and reward excellence; and to compensate for the greater degree of agency discretion in making awards. A maximum award of \$500 will be a sufficient incentive for employees whose primary motivation is to do their jobs well and be recognized for a job well done.

Paperwork Simplification and Budget Improvement

In cooperation with the Office of the Legislative Auditor the administration is supporting legislation to amend 17-7-138 and 139, MCA.

In addition, the administration is requesting legislation, modeled after HB500 from the 1993 regular session, to redefine base budgets as the amount of the previous biennium budget for each agency.

Both of these recommendations are designed to reduce paperwork and agency management of government operations.

HJR 3 With Legislation Adjustments and Special Session Revisions
General Fund Estimates

Revenue Source	Actual FY 93	Estimated FY 94	Estimated FY95
Individual Income Tax	225.294	195.262	314.825
Corporate License Tax	51.307	38.631	54.173
Coal Severance Tax	13.700	5.994	5.990
Oil Severance Tax	17.038	12.771	14.082
Interest on Investments	12.917	10.850	9.378
Long-Range Bond Excess	47.644	45.051	46.652
Coal Trust Interest Income	42.320	39.416	45.582
Insurance Premium Tax	24.464	21.699	24.712
Public Institution Reimbursement	14.486	13.561	14.160
Liquor Profits	3.800	4.233	4.513
Liquor Excise Tax	6.645	6.533	6.823
Inheritance Tax	12.869	10.405	10.679
Metal Mines Tax	4.031	3.526	3.692
Electrical Energy Tax	4.232	3.994	4.021
Driver's License Tax	1.693	2.271	2.276
Telephone License Tax	3.866	6.803	4.091
Beer License Tax	1.545	1.422	1.459
Natural Gas Severance Tax	1.639	1.158	1.173
Rail Car Tax	0.060*	3.200	3.200
Wine Tax	0.835	0.798	0.804
Video Gaming Tax	10.818	9.664	10.404
Motor Vehicle Account	9.382	10.193	10.457
Vehicle Fees	3.288	3.248	3.397
Public Contractor's Tax	1.448	1.242	1.252
Other Revenue Sources	<u>24.635</u>	<u>16.268</u>	<u>16.931</u>
Total General Fund	<u>539.955</u>	<u>468.193</u>	<u>614.726</u>

* \$5.143 million collected and deposited in escrow account.

Explanation of Changes in Revenue Estimates

The executive budget recommendations include net general fund and school equalization account revenues for the biennium that are \$72.047 million lower than the OBPP estimate presented at the conclusion of the regular session. Three factors explain the difference:

- 1) The suspension of HB671 caused a downward revision of individual and corporate income tax receipts of \$72.144 million (ignoring corporation tax returned to local governments). The revision implicitly assumes the measure will fail a vote of the electorate in November 1994.
- 2) The refund of 1988 individual income taxes to federal retirees will reduce FY94 income tax collections by an estimated \$6 million. Since these refunds are being recorded against FY94 revenue collections, a downward adjustment of \$6 million in total income tax collections is necessary for this fiscal year.
- 3) A limited review of all the general fund and school equalization revenue sources suggests that the assumptions and estimates for certain sources need revision. This review included sources that account for over 80 percent of the combined revenue to the accounts.

The following explains the adjustments included in the general fund and school equalization revenue tables.

Individual Income Tax Collections

Estimated total income tax collections were reduced by \$29.910 million in FY94 and \$33.178 million in FY95 to account for the suspension of HB671 and the reversion to the previous income tax statutes. Since HB671 was also referred to the voters for a November 1994 vote, the revision implicitly assumes the measure will fail the electorate review.

Refunds are currently being processed for the income taxes collected for the 1988 tax year from federal retirees. Under the Davis decision, which held that it was illegal for a state to discriminate against federal retirees relative to other retirees, the incremental taxes on federal retirement income were erroneously collected and must be refunded upon the presentation of an amended return. Since the 1988 tax year is within the five-year statute of limitations, refunds are being processed as they are received. An estimated \$6 million of tax and interest are expected to be refunded this fiscal year.

Economic variables affecting individual income tax receipts were also reviewed. The limited current economic data, while suggesting that the wage and salary component of the estimated income tax base outperformed HJR3 assumptions for calendar year 1992, is insufficient to justify further revisions to the estimate, particularly when considered with actual FY93 collections that were very close to the HJR3 estimate. The wage and salary data must be considered with reported information from 1992 tax returns before informed revisions can be entertained. Information from 1992 returns will not be available until January of next year.

Oil Severance Tax

Oil prices contained in the HJR3 assumptions are too high relative to current prices and their short-term outlook. HJR3 contains estimates of \$17.70, \$18.199 and \$18.50 per barrel for calendar years 1993, 1994 and 1995, respectively. Current prices reported by the Montana Oil Journal range from \$12.15 to \$15.40 per barrel. Short-term estimates suggest continued weakness throughout the forecast period.

The revised estimates include the effects of significant downward revisions in oil price assumption. Based on current forecasts prepared by Wharton Economic Forecasting Associates, oil prices are assumed to average \$15.16 for FY94 collections and \$17.24 for FY95 collections after adjustments to reflect Montana prices.

Relatively slight adjustments were made to oil production assumptions. Actual calendar year 1992 production was used in place of the HJR3 estimate. Production was assumed to decline at HJR3 rates for the period.

Adjustments to other general fund and school equalization account revenue sources potentially affected by the lower oil prices are not included in the revisions. Year-to-date collections of U.S. mineral royalties suggest downward revisions are unwarranted. Other factors appear to be more than compensating for low oil prices. School equalization revenues from the local government severance tax were not adjusted because there is a year and one-half lag between the time of production and the flow of revenues back to the account. Aside from a fairly minor impact in the final quarter of the biennium, lower prices will largely be felt in the 1997 biennium.

Interest Earnings

Interest rates have not and are not expected to rebound as assumed in HJR3. Rates continue to remain relatively low by comparison.

Estimates of earnings from the coal trust and treasury cash accounts were revised to reflect more current forecasts of interest rates that reflect continued softness. Short-term rates of 3.30 percent for FY94 and 3.84 percent for FY95 are used in the revised estimates compared with the

estimates of 4.09 percent for calendar year 1994 and 4.89 percent for calendar year 1995. Average long-term rates were revised to 6.97 percent and 6.99 percent for fiscal years 1994 and 1995, respectively. HJR3 contains estimates of 7.76 percent for calendar year 1994 and 8.06 percent for calendar year 1995.

Significant adjustments also were made to the principle invested in the permanent coal trust fund. No in-flow of coal severance taxes to the trust is assumed for FY94 to reflect the current law requirement that all these funds be transferred to the Treasure State Endowment account. Likewise, the estimates reflect the transfer of \$10 million of principle to the Treasure State Endowment fund, a \$5 million ARCO loan and annual draws of \$2 million by the Montana Science and Technology Alliance (MSTA). MSTA was assumed to have sufficient revenue inflows to pay for the operation of its program and will not have to draw on interest earnings for operating expenses as allowed by HB394. The FY94 estimate for bond calls was increased from the \$2 million figure in HJR3 to \$4 million. As of the end of September, bond call revenues had already reached HJR3 levels.

The average balances of the treasury cash fund were adjusted to reflect FY93 actual balances and a \$88.9 million TRANS issue for this year.

Lottery

The school equalization schedules contain revenue estimates for the lottery transfer that are consistent with the operation plan and goals of the Lottery Commission. Much of the increase in the estimate relative to HJR3 is due to the creation of a new Multi-State Lottery that is planned to begin in February, 1994. Contributions from the new game are not included in HJR3.

Property Taxes

Adjustments in the revenue from the school equalization account revenues were made to reflect actual 1993 property valuations. Implicitly included within the 1993 valuation figures is the actual affect of the recently completed statewide reappraisal. The combination of stronger growth in base valuations and a larger contribution from reappraisal produces about \$2.7 million more revenue for the biennium than was contained in previous OBPP estimates (about \$4 million more than estimates used by the LFA).

Telephone License Tax

At the beginning of this year, approximately \$2.8 million was collected from a multi-year telephone tax audit. This audit was not considered when HJR3 was prepared and, therefore, these proceeds represent new, one-time revenue that needs to be added to the HJR3 estimate.

Rail Car Tax

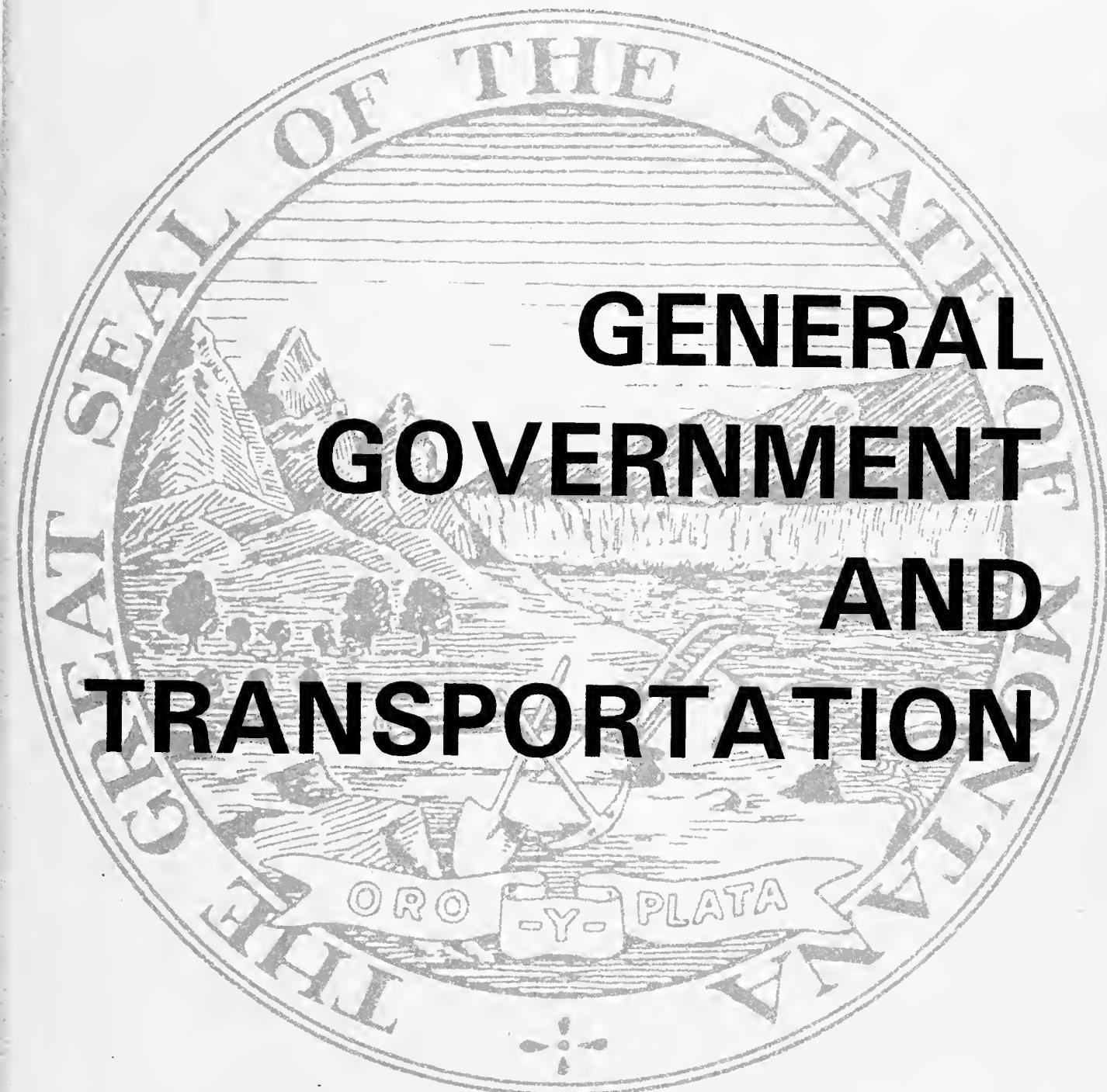
The estimates used in this document assume the state will prevail in its defense of the new rail car tax and a ruling will be issued this biennium. A similar Oregon case is currently before the U.S. Supreme Court with a decision expected this spring. The fate of Montana's tax will largely depend on this decision.

(Note the \$5.1 million deposited in an escrow account during FY93 has not been included in the general fund estimates for FY94 or FY95. The estimates for the 1995 biennium, therefore, can be viewed as expected values in a probabilistic sense in which the state stands a fifty-fifty chance of winning the entire amount owed).

Legislation Required to Implement the Recommended Executive Budget

<u>Bill</u>	<u>LC</u>	<u>Brief Description of Proposed Legislation</u>
HB1		Feed Bill
HB2		General Appropriations Act Amendments Including Amending: Chapter 624, 1993 (HB5-LRB) Chapter 550, 1993 (HB145-Health Authority) Chapter 769, 1991 (SB94-Ground Water) Revise Employee Incentive Program Paperwork Simplification and Budget Improvement Refunds for Federal Retirees Timber Revenue Property Tax Revisions Correct Coal Tax Flow to Permanent Trust School Equalization 3201: Raise legislative candidates filing fees 3201: Reduce the number of county election administrator workshops 3202: Change registration fee for lobbyists 3401: Provide for electronic filing for appointment of insurance producers 3401: Collect back taxes owed to counties upon request by the governing body 3401: Require conversion of payroll/retirement warrants to EDF 4107: Balances in crime victims benefits account 4108: Deposit 2nd \$50 DUI reinstatement fee to general fund 4110: Single license plates 5801: Privatize state liquor retail operations 5801: Streamline property valuation division 5801: Recover natural resource and corp tax costs 6602: Eliminate silicosis program 6901: Revise Medicaid program 5501: Repeal school trust lands equalization payments 5501: Revise slash law 5603: Repeal Meat and Poultry Inspection program 5706: Postpone Lower Missouri EIS 6101: Create a State Funds Cost Allocation Plan and account 6501: Restructure local government audits; move to OLA 3501: Deposit additional driver's license reinstatement fees to GF 6107: Repeal clean coal and replace with major maintenance projects 6107: Inmate labor for diary dorm 6107: MSP staff labor for security fence installation and maintenance 6107: Balance in prison industries account for capital construction and maintenance

**GENERAL
GOVERNMENT
AND
TRANSPORTATION**



GENERAL GOVERNMENT & TRANSPORTATION

OVERVIEW

Agency	FY92	Actual	FY93	Appropriated	FY95	FY94	Recommended	FY95	Differences			Biennial % Change
									FY95	FY94	FY95	
1101 Legislative Auditor									(717)	(829)	7.9%	-0.1%
General Fund	1,164,919	1,257,174	1,307,400	1,308,907	1,306,078	1,306,078	1,306,078	(717)	(829)	7.9%	-0.1%	
State Special	1,329,814	1,393,378	1,426,238	1,423,033	1,424,488	1,422,166	1,422,166	(760)	(867)	4.5%	-0.1%	
Proprietary	0	0	0	0	1,248	746,891	746,891	1,246	746,891	NA	NA	
Total Funds	2,494,733	2,650,552	2,732,638	2,729,940	2,732,417	3,475,135	3,475,135	(221)	745,195	20.8%	13.6%	
1102 Legislative Fiscal Analyst									(1,026)	(1,026)	3.2%	-0.1%
General Fund	789,044	842,619	826,041	860,055	824,465	859,030	859,030	(576)	(1,026)			
1104 Legislative Council												
General Fund	1,827,048	2,501,938	1,984,314	2,162,118	1,981,920	2,158,392	2,158,392	(2,394)	(3,726)	-4.4%	-0.1%	
State Special	1,080,806	420,978	920,351	448,382	918,948	446,398	446,398	(1,403)	(1,984)	-9.1%	-0.2%	
Nonexpend Trust	9,315	8,734	0	0	0	0	0	0	0	-100.0%	NA	NA
Total Funds	2,917,168	2,931,650	2,904,665	2,610,600	2,900,868	2,604,790	2,604,790	(3,797)	(6,710)	-6.9%	-0.2%	
1109 Senate												
General Fund	233,970	1,614,846	0	0	0	0	0	0	0	0	NA	NA
1110 House												
General Fund	489,365	2,406,869	0	0	0	0	0	0	0	0	NA	NA
1111 Environmental Quality Council												
General Fund	278,112	263,655	278,061	282,512	278,061	282,512	282,512	0	0	0	3.6%	0.0%
State Special	10,921	27,768	27,256	0	27,256	0	27,256	0	0	0	-29.6%	0.0%
Total Funds	289,033	291,423	305,317	282,512	305,317	282,512	282,512	0	0	0	1.3%	0.0%
1112 Consumer Counsel												
State Special	621,849	635,703	1,003,326	1,007,311	1,003,559	1,007,774	1,007,774	234	463	69.9%	0.0%	
Total Funds	621,849	635,703	1,003,325	1,007,311	1,003,559	1,007,774	1,007,774	234	463	69.9%	0.0%	
2110 Judiciary												
General Fund	8,184,776	7,461,800	5,531,898	5,491,712	5,416,088	5,487,140	5,487,140	(4,572)	(4,572)	-30.3%	-1.1%	
State Special	1,011,891	1,039,095	521,984	521,501	522,744	523,013	523,013	780	1,512	-49.0%	0.2%	
Federal Revenue	16,073	35,948	0	0	0	0	0	0	0	-100.0%	NA	NA
Total Funds	9,212,740	8,536,843	6,053,882	6,013,213	5,938,830	6,010,163	6,010,163	(115,062)	(3,080)	-32.7%	-1.0%	

Agency	FY92	Actual	FY93	FY94	Appropriated FY95	FY94	Recommended FY95	FY94 Differences FY95	Biennial % Change		
									95 Rec/ 93 Actual	95 Rec/ 95 Approv	
3101 Governor's Office											
General Fund	2,448,976	2,339,437	2,255,575	2,259,609	2,137,968	2,052,236	(117,607)	(207,373)	-12.5%	-7.2%	
State Special	18,648	29,479	739,698	245,857	855,967	450,837	116,269	204,980	2615,3%	32.6%	
Federal Revenue	455,198	431,532	491,572	499,389	491,572	499,389	0	0	11.8%	0.0%	
Total Funds	2,922,822	2,800,448	3,486,845	3,004,855	3,485,507	3,002,462	(1,338)	(2,393)	13.4%	-0.1%	
3201 Secretary of State											
General Fund	938,544	1,481,184	54,148	68,584	40,798	68,433	(13,350)	(151)	-95.5%	-11.0%	
State Special	182,804	182,876	0	0	0	0	0	0	-100.0%	NA	
Proprietary	328,115	338,660	1,611,337	1,474,093	1,608,796	1,471,924	(2,541)	(2,169)	362.0%	-0.2%	
Total Funds	1,449,463	2,002,720	1,665,485	1,542,677	1,649,594	1,540,357	(15,891)	(2,320)	-7.6%	-0.6%	
3202 Commissioner of Political Practices											
General Fund	133,889	145,603	124,994	123,478	124,942	123,384	(52)	(94)	-11.2%	-0.1%	
3401 State Auditor's Office											
General Fund	2,293,215	2,365,444	1,945,738	1,944,029	1,941,313	1,906,025	(4,425)	(38,004)	-17.4%	-1.1%	
State Special	8,037,845	8,689,344	1,153,061	1,058,680	1,143,801	1,030,919	(9,260)	(27,761)	-87.0%	-1.7%	
Federal Revenue	9,108,843	11,918,322	0	0	0	0	0	0	-100.0%	NA	
Proprietary	153,034	169,118	195,939	197,434	196,188	198,108	249	672	22.4%	0.2%	
Total Funds	19,592,936	23,142,228	3,294,738	3,200,143	3,281,302	3,135,050	(13,436)	(65,93)	-85.0%	-1.2%	
4107 Crime Control Division											
General Fund	455,254	471,115	461,392	471,082	458,201	467,738	(3,191)	(3,344)	0.0%	-0.7%	
State Special	618,026	871,868	823,918	625,680	623,858	625,571	(60)	(109)	-16.1%	0.0%	
Federal Revenue	3,639,730	3,908,246	3,799,930	3,801,857	3,803,203	3,805,200	3,273	3,543	0.8%	0.1%	
Total Funds	4,713,010	5,251,228	4,885,240	4,898,419	4,885,262	4,898,509	22	90	-1.8%	0.0%	
4108 Highway Traffic Safety											
General Fund	183,080	180,701	180,696	180,701	180,696	180,696	0	0	-0.5%	0.0%	
State Special	72,646	72,840	382,548	384,760	82,546	84,760	(300,000)	(300,000)	15.0%	-78.2%	
Federal Revenue	1,114,493	977,748	1,309,990	1,311,468	1,309,990	1,311,468	0	0	25.3%	0.0%	
Total Funds	1,370,220	1,230,665	1,873,237	1,876,924	1,573,237	1,576,924	(300,000)	(300,000)	21.1%	-16.0%	

Agency	Fiscal Year	Appropriated			Recommended			Differences			Biennial % Change 95 Rec/ 95 Actual	% Change 95 Rec/ 95 Approv
		Actual	FY93	FY94	FY95	FY94	FY95	FY94	FY95	FY94		
4110 Justice												
General Fund	12,061,560	13,385,966	12,929,689	9,766,400	12,746,267	9,345,685	(184,432)	(420,715)		-13.2%	-2.7%	
State Special	36,716,192	35,523,380	16,324,633	19,563,324	16,336,461	19,583,700	11,828	20,376		-50.3%	0.1%	
Federal Revenue	1,295,860	1,834,965	1,479,125	1,477,546	1,479,125	1,477,546	0	0		-5.6%	0.0%	
Proprietary	537,798	565,998	955,790	967,132	955,790	967,132	0	0		74.2%	0.0%	
Total Funds	50,611,410	51,310,308	31,689,237	31,774,402	31,516,633	31,374,063	(172,604)	(400,339)		-38.3%	-0.9%	
5401 Transportation												
General Fund	386,545	315,956	131,289	32,349	131,289	32,349	0	0		-76.7%	0.0%	
State Special	171,732,616	290,433,270	165,438,291	167,562,537	165,426,237	167,561,861	(12,054)	(10,676)		-28.0%	0.0%	
Federal Revenue	138,152,352	143,388,172	163,775,112	165,228,343	163,775,112	165,228,343	0	0		16.9%	0.0%	
Proprietary/Other *	14,133,215	14,602,364	16,834,232	16,279,492	16,906,024	16,419,987	70,792	140,495		16.0%	0.6%	
Total Funds	324,404,627	448,739,761	346,178,924	349,102,721	346,237,662	349,232,540	58,738	129,819		-10.0%	0.0%	
5801 Revenue												
General Fund	40,106,581	39,536,678	20,814,026	20,769,292	20,462,367	19,206,243	(351,659)	(1,553,049)		-50.2%	-4.6%	
State Special	48,921,753	45,307,646	662,256	679,559	990,989	1,008,349	328,733	328,790		-97.9%	49.0%	
Federal Revenue	290,412	346,030	199,172	197,369	199,172	197,359	0	0		-37.7%	0.0%	
Proprietary/Other *	51,502,368	50,332,967	975,827	961,255	987,287	984,213	11,460	22,958		-98.1%	1.8%	
Total Funds	140,821,115	135,523,222	22,651,281	22,597,465	22,639,815	21,396,164	(11,466)	(1,201,301)		-84.1%	-2.7%	
6101 Administration												
General Fund	21,079,601	22,270,812	3,936,701	3,833,063	3,576,489	3,200,150	(361,212)	(632,913)		-84.4%	-12.8%	
State Special	3,592,218	2,614,053	1,973,681	1,972,523	2,153,057	2,290,510	179,376	317,987		-28.4%	12.6%	
Federal Revenue	0	0	30,301	30,667	20,594	346,200	179,293	315,533		NA	811.8%	
Capital Projects	1,595,926	2,029,854	58,306	58,312	58,305	58,312	0	0		-96.8%	0.0%	
Proprietary/Other *	72,173,884	71,811,037	41,597,162	41,135,626	41,612,795	41,169,153	15,633	33,527		-42.5%	0.1%	
Nonexpend Trust Fund	0	0	12,067	11,749	12,067	11,749	0	0		NA	0.0%	
Total Funds	98,441,629	98,725,756	47,608,217	47,041,940	47,621,307	47,076,074	13,090	34,134		-52.0%	0.0%	
6104 Public Employees' Retirement Board												
Nonexpend Trust	1,240,042	1,039,601	1,188,386	1,125,042	1,189,322	1,129,626	936	4,584		1.7%	0.2%	
6701 Military Affairs												
General Fund	2,458,042	2,338,703	2,001,038	2,016,846	1,962,061	1,952,408	(38,977)	(63,437)		-18.4%	-2.5%	
State Special	11,550	22,705	47,215	44,142	47,215	44,142	0	0		166.7%	0.0%	
Federal Revenue	3,764,242	4,141,415	4,698,677	4,665,153	4,662,162	4,617,404	(36,525)	(37,749)		17.5%	-0.8%	
Total Funds	6,223,833	6,502,822	6,746,930	6,715,140	6,671,428	6,613,954	(75,502)	(101,186)		4.4%	-1.3%	

* May include SFCAF authority that has not been allocated to the various funds of the agency.

Budget Item	AUDIT & EXAMINATION PROGRAM			1101-01		
	FY94 Appropriated	FY94 Recommended	Difference	FY95 Appropriated	FY95 Recommended	Difference
FTE	63.50	63.50	0.00	63.50	80.50	17.00
Personal Services	2,343,032	2,343,032	0	2,378,988	2,910,095	531,107
Operating Expenses	377,131	377,131	0	338,696	542,585	203,889
Equipment	12,475	12,475	0	12,256	21,676	9,420
Total Costs	2,732,638	2,732,638	0	2,729,940	3,474,356	744,416
General Fund	1,307,400	1,307,400	0	1,306,907	1,306,907	0
State Special	1,425,238	1,425,238	0	1,423,033	1,423,033	0
Proprietary	0	0	0	0	744,416	744,416
Total Funding	2,732,638	2,732,638	0	2,729,940	3,474,356	744,416

ITEM

- **Transfer Local Government Services Audit Functions - Commerce**
Effective July 1, 1994, it is recommended that the audit and audit review functions of the Local Government Services program in the Department of Commerce be transferred to the Office of Legislative Auditor. This transfer will consolidate audit and audit review functions in one state agency. Of the 29.00 FTE in the current Department of Commerce program, 17.00 FTE will be transferred, 8.50 FTE will be eliminated, and 3.50 FTE retained by the Department of Commerce. An expected increase in the number of local government audits contracted to private CPA firms will reduce the number of FTE considered necessary to handle the workload. All funding is proprietary; there will be no direct impact on general fund in this agency.

SUPREME COURT OPERATIONS**2110-01**

Budget Item	FY94 Appropriated	FY94 Recommended	Difference	FY95 Appropriated	FY95 Recommended	Difference
FTE	27.90	27.90	0.00	27.90	27.90	0.00
Personal Services	1,168,955	1,168,955	0	1,192,545	1,192,545	0
Operating Expenses	322,535	322,535	0	312,430	312,430	0
Equipment	9,913	9,913	0	10,055	10,055	0
Transfers	113,232	0	(113,232)	0	0	0
Total Costs	1,614,635	1,501,403	(113,232)	1,515,030	1,515,030	0
General Fund	1,614,635	1,501,403	(113,232)	1,515,030	1,515,030	0
Total Funding	1,614,635	1,501,403	(113,232)	1,515,030	1,515,030	0

ITEM	FY94	FY95
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- **Delay New Pilot Project for Local Citizen Review Board** (113,232) 0
HB2 contains a biennial appropriation for distribution to the youth court of the judicial district designated pursuant to SB271 to fund a pilot project for a local citizen review board for foster care placements. This has not been implemented and, as a pilot project, reasonably could be delayed.

* The personal services amounts shown in the table above include salaries and benefits for the Supreme Court justices. Article VII, Section 7(1) of the Constitution of the State of Montana provides that "all justices and judges shall be paid as provided by law, but salaries shall not be diminished during terms of office." The Judiciary has no ability to allocate general fund reductions to these salaries and benefits. The biennial general fund total attributable to the Supreme Court justices and district court judges (District Court Operations program) is \$6,629,913 (\$3,309,677 in FY94 and \$3,320,236 in FY95).

Governor's Office

OFFICE OF BDGET & PGM PLANNING

3101-04

Budget Item	FY94 Appropriated	FY94 Recommended	Difference	FY95 Appropriated	FY95 Recommended	Difference
FTE	16.25	16.25	0.00	16.25	16.25	0.00
Personal Services	641,603	641,603	0	650,989	650,989	0
Operating Expenses	124,931	124,931	0	129,874	129,874	0
Equipment	30,346	30,346	0	5,221	5,221	0
Total Costs	796,880	796,880	0	788,084	788,084	0
General Fund	796,880	680,611	(116,269)	786,084	581,104	(204,980)
State Special	0	116,269	116,269	0	204,980	204,980
Total Funding	796,880	796,880	0	788,084	788,084	0

ITEM	FY94	FY95
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- **Increased Recovery of General Fund Costs for Statewide Services (116,269) (204,980)**
The executive budget proposes implementation of a State Funds Cost Recovery Plan (SFCAP) to recover the costs of core governmental "infrastructure" services from nongeneral fund sources which currently do not fully or directly contribute for these costs. A portion of the current general fund support for the Office of Budget and Program Planning would be replaced with funding from SFCAP contributions. For further discussion, see the section under the Accounting and Management Services Division in the Department of Administration.

Secretary of State's Office

BUSINESS & GOVERNMENT SERVICES

3201-01

Budget Item	FY94 Appropriated	FY94 Recommended	Difference	FY95 Appropriated	FY95 Recommended	Difference
FTE	22.25	22.25	0.00	22.25	22.25	0.00
Personal Services	554,554	554,554	0	565,208	565,208	0
Operating Expenses	476,566	465,866	(10,700)	411,660	411,660	0
Equipment	68,427	65,927	(2,500)	7,057	7,057	0
Local Assistance	0	0	0	0	0	0
Total Costs	1,099,547	1,086,347	(13,200)	983,925	983,925	0
General Fund	54,148	40,948	(13,200)	68,584	68,584	0
Proprietary Fund	1,045,399	1,045,399	0	915,341	915,341	0
Total Funding	1,099,547	1,086,347	(13,200)	983,925	983,925	0

ITEM	FY94	FY95
● Delete General Fund Portion of Fireproof Storage Of the \$50,000 approved modification for the acquisition of fireproof document storage cabinets, \$2,500 is general fund and will not be needed. The agency has determined that the purchase price will be less than the original quoted figures.	(2,500)	0
● Operating Reductions in Elections Bureau A change in the statutory requirement for an annual training workshop with county election administrators to one workshop every two years will save \$5,000 in FY94 and every other year thereafter. Switching from a bound booklet containing the election laws found in Title 13, MCA, to a photocopy form will save an additional \$5,700. This will allow the transmission of election laws to county election administrators to be accomplished at a lower cost.	(10,700)	0

State Auditor's Office

CENTRAL MANAGEMENT

3401-01

Budget Item	FY94 Appropriated	FY94 Recommended	Difference	FY95 Appropriated	FY95 Recommended	Difference
FTE	9.00	9.00	0.00	9.00	9.00	0.00
Personal Services	296,783	296,783	0	300,995	283,495	(17,500)
Operating Expenses	38,079	38,079	0	35,669	35,669	0
Equipment	330	330	0	0	0	0
Total Costs	335,192	335,192	0	336,664	319,164	(17,500)
General Fund	314,790	314,790	0	316,246	298,746	(17,500)
State Special	13,467	13,467	0	13,473	13,473	0
Proprietary Fund	6,935	6,935	0	6,945	6,945	0
Total Funding	335,192	335,192	0	336,664	319,164	(17,500)

ITEM	FY94	FY95
● Automate Electronic Filing for Insurance Agent Renewals Automation of the annual insurance agent renewal process will save \$17,500 general fund in FY95 in personal services expenses currently required for processing renewal payments and related mail. No reduction in FTE is recommended because a vacant FTE was eliminated during the regular session. However, personal services funding, which was reestablished by the Senate, would not be needed.	0	(17,500)

INSURANCE

3401-03

Budget Item	FY94 Appropriated	FY94 Recommended	Difference	FY95 Appropriated	FY95 Recommended	Difference
FTE	38.75	38.75	0.00	39.00	39.00	0.00
Personal Services	1,207,488	1,207,488	0	1,229,927	1,229,927	0
Operating Expenses	369,122	369,122	0	288,830	281,330	(7,500)
Equipment	28,868	28,868	0	0	0	0
Total Costs	1,605,478	1,605,478	0	1,618,757	1,511,257	(7,500)
General Fund	1,070,304	1,070,304	0	1,071,849	1,064,349	(7,500)
State Special	535,174	535,174	0	446,908	446,908	0
Total Funding	1,605,478	1,605,478	0	1,618,757	1,511,257	(7,500)

ITEM	FY94	FY95
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- **Automate Electronic Filing for Insurance Agent Renewals** 0 (7,500)
Automation of the annual insurance agent renewal process will save postage and associated operating costs in FY95. In addition, an increase in fees from \$10 to \$15 per year is recommended for those agents who continue to utilize the more-costly paper renewal system. This will result in increased revenue deposited to the general fund of \$23,000 per year beginning in FY95. Legislation is required to implement these changes.

FISCAL CONTROL AND MANAGEMENT

3401-10

Budget Item	FY94 Appropriated	FY94 Recommended	Difference	FY95 Appropriated	FY95 Recommended	Difference
FTE	14.00	14.00	0.00	14.00	14.00	0.00
Personal Services	348,142	348,142	0	348,767	348,767	0
Operating Expenses	589,562	580,972	(8,590)	575,116	539,731	(35,385)
Equipment	450	450	0	16,471	16,471	0
Total Costs	938,154	929,564	(8,590)	940,354	904,969	(35,385)
General Fund	220,230	217,730	(2,500)	215,298	204,498	(10,800)
State Special	528,920	522,830	(6,090)	534,567	509,982	(24,585)
Proprietary Fund	189,004	189,004	0	190,489	190,489	0
Total Funding	938,154	929,564	(8,590)	940,354	904,969	(35,385)

ITEM	FY94	FY95
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- **Eliminate State Refunds of \$5 or Less/Increase Payee ID No. Data** 0 (1,000)
Issuing state warrants of \$5 or less is not cost effective. The state refund policy is recommended to be revised to eliminate small refund warrant processing. State agency fee structures are being reviewed for possible restructuring to avoid the creation of small refunds. The general fund operating savings in the State Auditor's Office from the reduction in the number of warrants processed will be minimal. There also will be associated time and efficiency savings throughout other state agencies.

Bad debt collection efforts in the State Auditor's Office depend upon the input of payee identification numbers into payee files.

To the extent that pertinent information is available from applications, licenses, and other sources, increased cooperation among state agencies as to the input of social security and driver license numbers into payee files will enable increases in the number of refund warrants captured for those owing debts to the state. The potential increase in general fund revenue is projected to be \$50,000 in FY94 and \$100,000 in FY95.

- **Require Conversion of Payroll/Retirement Warrants to Electronic Transfers** (2,500) (9,800)
Legislation will be introduced to complete the full conversion of payroll (except for temporary and seasonal employees) and retirement payments from paper warrants to electronic depository fund transfers (EDF). The State of Colorado has maintained such a requirement for over twenty years. The operating expense savings is based upon full cost estimates for warrant processing and mailing in the State Auditor's Office although other state agencies will share in the state special revenue reductions through lower warrant writing fees. There will also be operating savings in other state agencies. For example, the Teachers Retirement System (TRS) and the Public Employees Retirement Division (PERD) mail their own warrants and will enjoy immediate postage expense reductions. The warrant writing program is funded by a combination of general fund and state special revenue fees recovered from agencies generating nongeneral fund warrants. The state special revenue savings are \$6,090 in FY94 (70.9%) and \$24,585 in FY95 (71.5%).
- **Apply Bad Debt Collection Procedures to Delinquent Property Taxes**
Bad debt collection is currently available to state agencies and the Internal Revenue Service under a trial agreement. If the bad debt collection procedures were applied to delinquent property taxes, additional revenue could be collected. Approximately 40 percent of property tax revenues offset general fund expenditures through the school equalization account and the six-mill university levy. Legislation is required to authorize counties to utilize the bad debt procedure. The potential increase in general fund revenue is projected to be \$100,000 per year beginning in FY95.

JUSTICE SYSTEM SUPPORT SERVICE

4107-01

Budget Item	FY94 Appropriated	FY94 Recommended	Difference	FY95 Appropriated	FY95 Recommended	Difference
FTE	19.00	19.00	0.00	19.00	19.00	0.00
Personal Services	606,139	606,139	0	616,697	616,697	0
Operating Expenses	199,679	199,679	0	201,161	201,161	0
Equipment	9,448	9,448	0	10,587	10,587	0
Grants	3,479,974	3,479,974	0	3,479,974	3,479,974	0
Benefits and Claims	590,000	590,000	0	590,000	590,000	0
Total Costs	4,885,240	4,885,240	0	4,898,419	4,898,419	0
General Fund	461,392	458,392	(3,000)	471,082	468,082	(3,000)
State Special	623,918	623,918	0	625,680	625,680	0
Federal Special	3,799,930	3,802,930	3,000	3,801,657	3,804,657	3,000
Total Funding	4,885,240	4,885,240	0	4,898,419	4,898,419	0

ITEM

FY94

FY95

- **Negotiate Additional Federal Grant Administration Funds**
The agency is exploring ways to increase federal match funds for grant administration. It is estimated that the increase will be \$3,000 per year which will be used to offset general fund appropriated for required administrative functions. (3,000) (3,000)
- **Transfer Excess Balance from State Special Revenue Account**
It is recommended that \$250,000 be transferred to the general fund in FY94 from the crime victims benefits account. This will not affect payments to claimants and will avoid a buildup of funds in this state special revenue account. Further, legislation will be proposed to cap the account balance at \$500,000 with any future excess automatically deposited to the general fund. Increased awareness of the program benefits may increase the number of claims and future expenditures. Implementation of a cap will merely avoid the creation of a balance above the amount necessary to make payments to victims of crime on a timely basis. The \$250,000 transfer is shown in the general fund balance sheet rather than in the program table above.

Highway Traffic Safety

HIGHWAY TRAFFIC SAFETY DIV

4108-36

Budget Item	FY94 Appropriated	FY94 Recommended	Difference	FY95 Appropriated	FY95 Recommended	Difference
FTE	8.50	8.50	0.00	8.50	8.50	0.00
Personal Services	300,624	300,624	0	304,422	304,422	0
Operating Expenses	181,746	181,746	0	182,600	182,600	0
Equipment	10,166	10,166	0	7,730	7,730	0
Local Assistance	480,701	180,701	(300,000)	482,172	182,172	(300,000)
Grants	900,000	900,000	0	900,000	900,000	0
Total Costs	1,873,237	1,573,237	(300,000)	1,876,924	1,576,924	(300,000)
General Fund	180,701	180,701	0	180,696	180,696	0
State Special	382,546	82,546	(300,000)	384,760	84,760	(300,000)
Federal Special	1,309,990	1,309,990	0	1,311,468	1,311,468	0
Total Funding	1,873,237	1,573,237	(300,000)	1,876,924	1,576,924	(300,000)

ITEM	FY94
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- **Second \$50 DUI Driver Reinstatement Fee to General Fund**
 Special Session I action, in January, 1992, authorized deposit of the second \$50 of each \$100 driver license reinstatement fee to the general fund for the 1993 biennium. Effective for FY94, 61-2-107(2)(b), MCA, requires deposit of these fees in a state special revenue account "to be distributed to county treasurers" who "shall distribute the money to each incorporated city or town in the county" who "shall distribute the money to state and local government entities, and private entities working with state and local government entities." This required multiple pass-through of an estimated \$300,000 each year of the 1995 biennium can ultimately be used for a variety of youth and adult services, law enforcement equipment, etc, which are not all closely related to traffic safety, driver improvement services or alcohol/chemical dependency treatment and prevention. No distributions will be made until the end of FY94 so the full \$600,000 would be deposited to the general fund in the biennium. Since the provisions never have been implemented, this would not be a reduction to cities and towns.

MOTOR VEHICLE DIVISION

4110-12

Budget Item	FY94 Appropriated	FY94 Recommended	Difference	FY95 Appropriated	FY95 Recommended	Difference
FTE	166.25	160.25	(6.00)	165.25	153.50	(11.75)
Personal Services	3,924,899	3,818,579	(106,320)	3,990,418	3,723,214	(267,204)
Operating Expenses	2,156,597	2,158,517	1,920	2,461,951	2,513,355	51,404
Equipment	101,009	101,009	0	101,074	101,074	0
Debt Service	161,688	161,688	0	189,188	189,188	0
Total Costs	6,344,193	6,239,793	(104,400)	6,742,631	6,526,831	(215,800)
General Fund	5,199,999	5,095,599	(104,400)	2,445,742	2,229,942	(215,800)
State Special	1,129,694	1,129,694	0	4,284,389	4,284,389	0
Federal Special	14,500	14,500	0	12,500	12,500	0
Total Funding	6,344,193	6,239,793	(104,400)	6,742,631	6,526,831	(215,800)

ITEM	FY94	FY95
• Withdraw Driver Service Stations from 37 Counties	(100,000)	(207,000)
The general fund savings is obtained from reductions in FTE, travel, and per diem expenses necessary to provide part-time driver license services throughout the state. It is more cost-effective to provide driver services on a daily basis at express stations in larger population centers than to provide periodic service in rural areas.		
This recommendation, while still causing inconvenience for Montana drivers, will provide the greatest level of service possible while achieving significant budget reductions. The 19 counties and 20 locations will continue service to approximately 85 percent of the driver population and were chosen primarily on that basis. Consideration, wherever possible, is given to the travel distances required for those communities no longer receiving service. The addition of digitized drivers licenses, implementation of pilot projects to incorporate driver examinations into the driver education curriculum, and other innovations by the department during the 1995 biennium will ultimately improve services and mitigate many of the impacts of this consolidation.		
In addition, consideration is being given to contracting with local entities to retain basic renewal and examination services in impacted areas. These entities may include local sheriff's offices, non-profit agencies, private vendors, and other public-private partnership arrangements. It is estimated that contracting for services in certain areas, in combination with the restructuring described above, will result in a net savings of \$100,000 in FY94 and \$207,000 in FY95.		
• Postage Expense Reduction	(4,400)	(8,800)
Adoption of the Department of Corrections and Human Services' single license plate recommendation will yield postage savings in the Motor Vehicle Division. Most of the savings is attributable to individual mailings of personalized plates.		

CENTRAL SERVICES DIVISION

4110-28

Budget Item	FY94 Appropriated	FY94 Recommended	Difference	FY95 Appropriated	FY95 Recommended	Difference
FTE	10.00	9.50	(0.50)	10.00	9.00	(1.00)
Personal Services	334,008	317,242	(16,766)	344,159	310,111	(34,048)
Operating Expenses	168,022	163,075	(4,947)	145,091	135,234	(9,857)
Equipment	4,033	4,033	0	5,522	5,522	0
Total Costs	506,063	484,350	(21,713)	494,772	450,867	(43,905)
General Fund	242,984	221,271	(21,713)	218,442	174,537	(43,905)
State Special	253,267	253,267	0	266,806	266,806	0
Federal Special	0	0	0	0	0	0
Proprietary Fund	9,812	9,812	0	9,524	9,524	0
Total Funding	506,063	484,350	(21,713)	494,772	450,867	(43,905)
ITEM					FY94	FY95
● Delete General Fund Support for Drug Prevention Coordinator					(21,713)	(43,905)
The 1.00 FTE drug prevention education coordinator was funded with a federal special revenue grant until FY94 when the federal funding terminated. The position was added back as a budget modification with 100 percent general fund support through legislative action.						

Department of Revenue

LIQUOR DIVISION

5801-05

ITEM

● **State Liquor Retail Operations**

Unlike recent proposals, which would have converted state-operated liquor stores to agencies, this proposal would divest the state of liquor retail operations based on the view that the state has no compelling interest in operating retail distribution. Furthermore, divestiture of retail operations reduces state costs while promoting private enterprise. Liquor would be retailed by the existing all-beverage licensees (approximately 1,500) taking delivery of inventory directly from the state warehouse. This proposal would affect an estimated 75 store employees and 81 contract agents. The administration will proceed immediately to work with the affected individuals in developing a satisfactory arrangement. A new statewide wholesale price structure would be established which would be an average 5 percent lower than the current retail price at state stores. Turnover of the state's existing retail liquor inventory would generate approximately \$5 million for the liquor enterprise fund by the end of FY95. Termination costs, estimated at approximately \$1.5 million, would offset this one-time savings, resulting in estimated net proceeds of approximately \$3.5 million by mid FY95. Operating costs of the liquor division would decrease by approximately \$2.6 million and a net reduction of 47.50 FTE and liquor profits deposited to the general fund would increase by approximately \$800,000 per year

once the proposal is fully implemented, beginning in November of FY95. There would be no change in current liquor tax and license revenue. The table below compares the relevant budget and revenue factors of the current retail operation, based on FY92 actuals, to the proposed wholesale model, on a fully implemented basis.

	<u>Current Retail (FY92 Actual)</u>	<u>Wholesale Model (Fully Implemented)</u>	<u>Difference</u>
FTE	100.00	52.50	-47.50
Product & Freight	27,189,047	28,167,100	978,063
Operations	5,517,894	1,895,451	(3,622,443)
Total Costs	32,706,941	30,062,551	(2,644,390)
Gross Sales	48,528,043	46,060,906	(2,467,137)
Discounts	(622,747)	NA	622,747
Tax Revenues Transfers	(9,946,010)	(9,946,010)	0
Transfer to Other Ops	(1,186,298)	(1,186,298)	0
Net Sales	36,772,988	34,928,598	(1,844,390)
Profits	4,066,047	4,866,047	800,000

CORPORATION TAX

5801-07

Budget Item	FY94 Appropriated	FY94 Recommended	Difference	FY95 Appropriated	FY95 Recommended	Difference
FTE	35.18	35.18	0.00	35.18	35.18	0.00
Personal Services	1,110,318	1,110,318	0	1,129,411	1,129,411	0
Operating Expenses	416,036	416,036	0	420,630	420,630	0
Equipment	12,124	12,124	0	10,667	10,667	0
Total Costs	1,538,478	1,538,478	0	1,560,708	1,560,708	0
General Fund	1,284,334	953,334	(331,000)	1,301,871	970,871	(331,000)
State Special	60,388	391,388	331,000	61,478	392,478	331,000
Federal Special	193,756	193,756	0	197,359	197,359	0
Total Funding	1,538,478	1,538,478	0	1,560,708	1,560,708	0

ITEM **FY94** **FY95**

- Recover Natural Resource and Corporate Tax Division Costs** (331,000) (331,000)
 Most of the collection and audit costs of the Natural Resources and Corporate Tax Division are supported by the general fund despite the fact that much of the program's functions benefit nongeneral fund purposes. The budget principle adopted for the income and miscellaneous tax program during the last several legislative sessions is that every revenue source should bear its fair share of administrative costs. This same principle would be applied to the natural resource tax program.

The Corporate Tax Bureau and Natural Resource Bureau each will allocate a portion of its general fund costs to the nongeneral fund revenues for which they collect and/or audit based on the proportionate level of effort determined for each revenue source.

For purposes of this allocation, collection and audit costs allocable to the school equalization and long-range building accounts are considered as general fund costs. The amount of administrative costs allocated to nongeneral fund revenues as a percent of total revenues will generally be between 0.5 to 1 percent. Because a portion of the proposed cost recovery will marginally reduce amounts remitted by the counties to the state for state mills, the general fund savings would be offset by approximately \$99,000 per year, beginning in FY 1995.

PROPERTY VALUATION

5801-08

Budget Item	FY94 Appropriated	FY94 Recommended	Difference	FY95 Appropriated	FY95 Recommended	Difference
FTE	407.56	407.56	0.00	398.06	353.06	(45.00)
Personal Services	10,610,859	10,610,859	0	10,573,610	9,373,610	(1,200,000)
Operating Expenses	1,850,077	1,850,077	0	1,864,956	1,864,956	0
Equipment	165,475	165,475	0	165,270	165,270	0
Debt Service	269,741	269,741	0	269,741	269,741	0
Total Costs	12,896,152	12,896,152	0	12,873,577	11,673,577	(1,200,000)
General Fund	12,896,152	12,896,152	0	12,873,577	11,673,577	(1,200,000)
Total Funding	12,896,152	12,896,152	0	12,873,577	11,673,577	(1,200,000)

ITEM	FY94	FY95
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- **Streamline Property Valuation Division**

The Property Valuation Division is being restructured to reduce the division's supervisory layers and place greater responsibility in the field offices. This restructuring will be accomplished through the consolidation and regionalization of appraisal and assessment functions creating a unified structure. Restructuring will save \$1.2 million in personal services expenditures annually beginning in FY95. Changes in law are needed to accomplish restructuring and implement workload changes to allow for staff reductions. Workload determinations are estimates based on averages and will be used as a guide to determine staffing levels. Based on estimated workload determinations, it is expected that the division's FTE level will be reduced by approximately 45.00 FTE.

0 (1,200,000)

Department of Administration

COST ROLL-BACK ALL AGENCIES

6101-00

ITEM

• Consolidate State Mail and Printing Services

A number of Helena-based agencies operate in-house mail and duplicating facilities. In many instances, use of Department of Administration (DoA) services may provide significant savings for agencies. In addition, the greater volume of mail and printing would allow DoA to achieve greater economies of scale in its current operations, allowing rates for all state agencies to be reduced or restrain future increases. Agencies generally have concerns regarding timeliness, confidentiality, and quality of service. The DoA believes that it can, in most instances, provide a level of service which meets or exceeds agency needs.

In 1989, the Office of the Legislative Auditor conducted a limited scope performance audit which addressed the feasibility of consolidating department print shops with the DoA's printing operation and concluded that there did not appear to be an economic benefit to consolidation of duplicating services. Although the OLA report was based on the best available information, in several instances, accurate data was not available. After nearly five years, this study should be updated. To compare agency costs to DoA rates, an updated cost review should: 1) take into consideration product features such as paper stock, bindery, and value-added services; 2) use a uniform method of calculating capital and inventory costs; 3) compare agency costs to rates DoA would bid for the additional volume; and 4) consider strategic issues, such as advances in technology.

The executive budget recommends appropriations bill language directing agencies which operate in-house facilities to review the cost effectiveness of their operations, along with other relevant considerations, in consultation with the DoA which will develop guidelines for agencies so that the analysis of costs among agencies will be comparable. The following agencies operate in-house mail facilities: Department of Social and Rehabilitative Services, the State Library, and the State Compensation Insurance Fund. The following agencies operate in-house duplicating facilities: Department of Justice, Department of Labor and Industry, Department of Transportation, and Department of Fish, Wildlife and Parks.

The proposed language for each affected agency reads as follows: "The [agency name] shall, in consultation with the department of administration, review the cost-effectiveness, along with other relevant considerations, of operating its in-house [duplicating or mail] facilities compared to department of administration services. The [agency name] shall report its conclusions, along with department of administration comments, to the office of budget and program planning and the office of the legislative fiscal analyst by June 1, 1994 and to the respective appropriations subcommittee of the 1995 legislature."

ACCOUNTING PROGRAM

6101-03

Budget Item	FY94 Appropriated	FY94 Recommended	Difference	FY95 Appropriated	FY95 Recommended	Difference
FTE	21.83	22.08	0.25	21.83	22.33	0.50
Personal Services	694,290	703,208	8,918	706,794	724,986	18,192
Operating Expenses	358,968	359,468	500	308,506	309,006	500
Equipment	4,297	5,797	1,500	2,801	2,801	0
Local Assistance	0	0	0	0	0	0
Transfers	0	0	0	0	0	0
Total Costs	1,057,555	1,068,473	10,918	1,018,101	1,036,793	18,692
General Fund	961,776	793,401	(168,375)	921,159	624,318	(296,841)
Federal Special	30,301	209,594	179,293	30,667	346,200	315,533
Proprietary Fund	65,478	65,478	0	66,275	66,275	0
Total Funding	1,057,555	1,068,473	10,918	1,018,101	1,036,793	18,692

ITEM

FY94 **FY95**

- **Increased Recovery of General Fund Costs for Statewide Services** **(168,375) (296,841)**
A portion of the indirect costs of certain statewide central services, such as accounting, personnel and budgeting are recovered from some federally-funded programs through the statewide cost allocation plan (SWCAP) by agreement with the federal government. The SWCAP, developed by the DoA, allocates indirect costs to each agency in state government. Agencies then are required to negotiate with their cognizant federal agencies for recovery of an appropriate share of these costs, to the extent that federal law allows participation in state indirect charges. The proceeds are deposited to the general fund. In FY92, SWCAP collections for the general fund were approximately \$425,000, about 15 percent of total allocated indirect costs. Federal funds comprised about 25 percent of total state expenditures in FY92.

While the DoA is responsible for calculating SWCAP allocations, the responsibility for negotiating and collecting an appropriate share from federal sources is decentralized. Although required by statute and subject to audit, agencies lack strong incentives to aggressively negotiate for recovery of indirect costs because, in many instances, doing so reduces the total amount of federal funds available for program purposes.

In the 1995 biennium, DoA planned to implement a limited recovery of indirect costs from state special revenue (SSR) accounts which retain interest earnings, up to the amount of interest actually generated. Approximately \$200,000 is estimated to be collected from these SSR accounts each year. Although DoA will implement this limited recovery, the additional cost recovery is projected to be marginal. Nearly 40 percent of the state budget as appropriated in the general appropriations act for the 1995 biennium does not participate or has limited participation in state indirect costs. The limited participation of SSR funds has been heretofore rationalized by the fact that many SSR accounts do not retain interest earnings. It is proposed that participation in state indirect costs be divorced from retention of interest earnings because the level of interest earnings bears no equitable relationship to the indirect costs that would otherwise be allocated. Whether earmarked funds retain interest should be

determined by the legislature based on the nature and purpose of the accounts.

The executive budget recommendation is twofold: First, all recoveries of indirect costs would be deposited to a state special revenue account managed by DoA from which statewide central services would be budgeted. This structure creates an entity responsible for collecting indirect costs with relatively strong incentives for oversight in maximizing federal cost recoveries. It also would illuminate for the legislature and public, and therefore hold DoA accountable, in the budget process the extent to which costs are being recovered. Second, expanding the scope of indirect cost recovery would significantly reduce general fund expenditures for core "infrastructure" services for which nongeneral fund sources do not currently contribute.

The current SWCAP mechanism, recovering costs from federal sources, would continue to operate as it does now. Cost recovery from nongeneral fund/nonfederal fund sources would be accomplished with a second mechanism, a State Funds Cost Allocation Plan (SFCAP). In the 1995 biennium, SFCAP and SWCAP recoveries would reduce general fund expenditures by \$465,215 in the Accounting and Management Services Division, by \$502,386 in the Personnel Division, and by \$321,249 in the Office of Budget and Program Planning. In addition, the Accounting Division would be budgeted for 0.50 FTE for implementation of the SFCAP and oversight of SWCAP recoveries. The cost of the 0.50 FTE would be recovered 50% from the SFCAP assessments and 50% from SWCAP collections.

Programs required to contribute would be budgeted for the SFCAP assessments. The table below shows the amounts to be budgeted for contributing agencies. The affected agencies will indicate to their respective appropriations subcommittee how these amounts are to be incorporated in their agency budgets. The allocations for FY94 are for the second half of the fiscal year. Because this would be a new program, DoA will distribute an information package to each agency prior to the special session and meet with agencies to discuss details of the plan.

SFCAP Budgeted Assessments

<u>Agy#</u>	<u>Agency Name</u>	<u>FY94</u>	<u>FY95</u>
1101	Legislative Auditor	1,246	2,475
1104	Legislative Council	244	482
1112	Consumer Council	234	463
2110	Judiciary	760	1,512
3201	Secretary of State	598	1,192
3401	State Auditor's Office	453	902
3501	Supt. of Pub Instruct	1,281	2,547
3511	Billings voTech	399	795
3512	Butte VoTech	141	282
3513	Great Falls VoTech	375	745
3514	Helena VoTech	204	406
3515	Missoula VoTech	508	1,011
4107	Crime Control	273	543
4110	Justice	13,310	26,452
5101	Bd of Pub Ed	103	205
5102	Comm of Higher Ed	1,547	3,034
5103	University of Montana	26,785	53,419
5104	Montana State University	13,239	26,327
5105	Montana Tech	1,003	1,998
5106	Eastern Montana College	4,066	8,089
5107	Northern Montana College	1,709	3,395
5108	Western Montana College	1,159	2,304
5109	Ag Exper Station	304	602
5110	Coop Ext Service	599	1,186
5114	Montana Arts Council	330	658
5115	Library Commission	390	776
5117	Historical Society	883	1,762
5201	Fish, Wildlife & Parks	28,740	57,267
5301	Health	9,803	19,473
5401	Transportation	70,853	140,606
5501	State Lands	6,172	12,286
5603	Livestock	4,409	8,782
5706	Natural Resources	6,578	13,099
5801	Revenue	11,823	23,451
6101	Administration	20,468	40,490
6103	State Fund	24,098	47,495
6104	PERD	3,355	6,727
6105	TRS	2,217	4,451
6107	LRBP	1,080	2,132
6201	Agriculture	3,904	7,759
6401	Correctns & Human Serv	5,440	10,817
6501	Commerce	25,020	49,418
6602	Labor and Industry	6,983	13,876
6901	SRS	8,916	17,724
6911	Family Services	<u>1,493</u>	<u>2,963</u>
TOTAL		313,496	622,379

ITEM

- **Contract Management Fees for State Purchasing Contracts**

The executive budget proposes implementation of a contract management fee which would be collected by vendors who are awarded purchasing contracts and rebated to the purchasing bureau. When fully implemented, these fees would replace the general fund support of the purchasing bureau. Vendors would collect the fees from state agencies and any other political subdivisions which purchase items from state contracts. This is similar to programs which have been successfully implemented in other states. This proposal is most closely modelled on a program implemented by the state of Washington. Because contracts are generally on a three-year cycle, this proposal would not be fully implemented until the end of the 1997 biennium. For the 1995 biennium, the purchasing bureau would continue to be funded from the general fund with the proceeds from contract management fees being deposited to the general fund. A preliminary estimate is that approximately \$100,000 would be deposited to the general fund in the 1995 biennium. As the department gains experience with the program, the fee revenue would be deposited in the 1997 biennium to a special revenue account, from which the purchasing bureau would be funded.

INFORMATION SERVICES DIVISION

6101-07

ITEM

- **Reduce Computer Processing Rates**

The Information Services Division (ISD) will reduce computer processing rates by 3.5 percent in each year, retroactive to July 1, 1993, below the levels assumed in the budget for the 1995 biennium. The gross calculated budget reductions associated with this rate reduction are approximately \$430,000 over the biennium from all funding sources. The executive budget recommendation exempts federal special revenue sources and any programs affected by less than \$50 in both fiscal years, resulting in total budget reductions of \$288,040 for the biennium of which \$160,881 is applicable to the general fund. The table below shows the proposed budget reductions for each agency and program by fund type. These reductions are included in HB2 as introduced.

COMPUTER PROCESSING RATE REDUCTION

Agency	Pgm	FY94				FY95			
		GF	SSR	Other	Total	GF	SSR	Other	Total
1101	01	(536)	(561)	0	(1,097)	(504)	(527)	0	(1,031)
1102	01	(417)	0	0	(417)	(738)	0	0	(738)
1104	10	(1,933)	(1,647)	0	(3,580)	(2,895)	(2,466)	0	(5,360)
2110	01	(78)	0	0	(78)	(69)	0	0	(69)
3101	04	(417)	0	0	(417)	(735)	0	0	(735)
3201	01	(130)	0	(2,503)	(2,633)	(115)	0	(2,217)	(2,332)
3401	03	(169)	(104)	0	(272)	(157)	(96)	0	(253)
3401	04	(73)	0	0	(73)	(65)	0	0	(65)
3401	10	(1,240)	(2,892)	(167)	(4,299)	(1,186)	(2,767)	(163)	(4,115)
4110	12	(16,108)	(528)	0	(16,636)	(28,634)	(3,522)	0	(32,156)
4201	01	0	(347)	0	(347)	0	(308)	0	(308)
5102	01	(105)	0	0	(105)	(105)	0	0	(105)
5201	01	0	(1,705)	(52)	(1,757)	0	(1,534)	(46)	(1,580)
5301	02	(15)	(19)	(109)	(143)	(14)	(17)	(96)	(127)
5301	03	0	(57)	0	(57)	0	(50)	0	(50)
5301	06	(27)	(35)	0	(62)	(24)	(31)	0	(55)
5401	01	0	(12,054)	0	(12,054)	0	(10,676)	0	(10,676)
5501	01	(98)	(1,043)	0	(1,141)	(86)	(924)	0	(1,010)
5501	25	(71)	(27)	0	(98)	(63)	(24)	0	(87)
5603	06	0	(346)	0	(346)	0	(307)	0	(307)
5706	21	(26)	(27)	0	(54)	(23)	(24)	0	(48)
5706	22	0	(595)	0	(595)	0	(527)	0	(527)
5706	24	(1,482)	(489)	0	(1,971)	(1,313)	(433)	0	(1,746)
5801	01	(245)	0	(3)	(248)	(217)	0	(3)	(219)
5801	02	(512)	0	0	(512)	(453)	0	0	(453)
5801	03	(303)	(27)	(171)	(501)	(268)	(24)	(151)	(444)
5801	06	(14,409)	(2,020)	0	(16,429)	(12,762)	(1,790)	0	(14,552)
5801	07	(651)	0	0	(651)	(577)	0	0	(577)
5801	08	(2,354)	0	0	(2,354)	(3,840)	0	0	(3,840)
6101	03	(2,987)	0	(3)	(2,989)	(2,645)	0	(3)	(2,648)
6101	06	(0)	0	(1,021)	(1,021)	(0)	0	(1,016)	(1,017)
6101	23	(1,705)	(2,016)	(824)	(4,545)	(1,510)	(1,786)	(575)	(3,870)
6103	01	0	0	(12,075)	(12,075)	0	0	(10,695)	(10,695)
6104	35	0	0	(2,419)	(2,419)	0	0	(2,143)	(2,143)
6105	01	0	0	(235)	(235)	0	0	(130)	(130)
6401	20	(60)	0	(1)	(61)	(53)	0	(1)	(54)
6501	61	(98)	0	0	(98)	(86)	0	0	(86)
6501	81	(2)	0	(86)	(88)	(2)	0	(76)	(78)
6602	01	0	(3,837)	(87)	(3,924)	0	(3,398)	(77)	(3,475)
6602	02	0	(181)	0	(181)	0	(160)	0	(160)
6602	03	0	0	(492)	(492)	0	0	(436)	(436)
6602	04	(78)	(851)	(113)	(1,042)	(69)	(754)	(100)	(923)
6602	07	0	(213)	0	(213)	0	(189)	0	(189)
6901	01	(200)	(21)	0	(222)	(177)	(19)	0	(196)
6901	04	(173)	(68)	0	(241)	(153)	(60)	0	(214)
6901	06	(88)	0	0	(88)	(78)	0	0	(78)
6901	07	(725)	0	0	(725)	(642)	0	0	(642)
6901	08	(73)	(0)	0	(73)	(64)	(0)	0	(65)
6901	09	(24,722)	(12,404)	0	(37,127)	(21,897)	(12,223)	0	(34,120)
6901	10	(194)	(62)	0	(256)	(171)	(55)	0	(227)
6901	14	(244)	0	0	(244)	(216)	0	0	(216)
6911	01	(4,381)	(2)	0	(4,382)	(1,146)	(1)	0	(1,148)
Total		(77,129)	(44,178)	(20,361)	(141,668)	(83,752)	(44,692)	(17,928)	(146,372)

ISD has pursued an appropriate strategy of providing agencies with on-line processing during normal business hours. Consequently, the state mainframe has substantial amounts of excess capacity during nighttime and weekends. ISD could

dramatically improve the efficiency of its mainframe operations by selling its excess capacity to other governmental jurisdictions or to out-of-state sources. With current telecommunications technology, the potential market extends nationwide. The additional revenues received would allow ISD to lower its rates further.

GENERAL SERVICES PROGRAM

6101-08

ITEM

- **Reduce General Service Rental Rates**

The General Services Division has reduced its rates for capital complex rent by approximately 1.4 percent in FY94 and 2.5 percent in FY95, below the levels assumed in the budget for the 1995 biennium. The gross calculated budget reductions associated with this rate reduction are approximately \$133,000 over the biennium from all funding sources. The executive budget recommendation exempts federal special revenue sources and any programs affected by less than \$50 in both fiscal years, resulting in total budget reductions of \$113,914 for the biennium of which \$63,473 is applicable to the general fund. The table below shows the proposed budget reductions for each agency and program by fund type. The reductions are included in HB2 as introduced.

GENERAL SERVICES RENT REDUCTION

Agency	Pgm	FY94 Reductions				FY95 Reductions			
		GF	SSR	OTHER	TOTAL	GF	SSR	OTHER	TOTAL
1101	01	(181)	(189)	0	(370)	(325)	(340)	0	(665)
1102	01	(159)	0	0	(159)	(287)	0	0	(287)
1104	10	(461)	0	0	(461)	(831)	0	0	(831)
2110	01	(1,391)	0	0	(1,391)	(2,504)	0	0	(2,504)
2110	03	(1,111)	0	0	(1,111)	(1,999)	0	0	(1,999)
3101	01	(599)	0	0	(599)	(1,079)	0	0	(1,079)
3101	04	(322)	0	0	(322)	(579)	0	0	(579)
3201	01	(20)	0	(383)	(403)	(36)	0	(689)	(725)
3201	03	0	0	(71)	(71)	0	0	(128)	(128)
3201	04	0	0	(182)	(182)	0	0	(327)	(327)
3202	01	(52)	0	0	(52)	(94)	0	0	(94)
3401	01	(60)	0	0	(60)	(108)	0	0	(108)
3401	03	(254)	(48)	0	(303)	(456)	(87)	0	(542)
3401	04	(75)	0	0	(75)	(135)	0	0	(135)
3401	10	(54)	(126)	(37)	(217)	(97)	(226)	(67)	(391)
3501	06	(906)	0	(484)	(1,390)	(1,630)	0	(872)	(2,502)
4107	01	(191)	(60)	0	(251)	(344)	(109)	0	(452)
4110	01	(462)	0	0	(462)	(832)	0	0	(832)
4110	06	0	0	(143)	(143)	0	0	(257)	(257)
4110	12	(464)	(199)	0	(663)	0	(1,194)	0	(1,194)
4110	13	0	(496)	0	(496)	0	(893)	0	(893)
4110	18	(340)	0	0	(340)	(613)	0	0	(613)
4110	28	(82)	(112)	(4)	(198)	(148)	(202)	(8)	(357)
4110	29	(337)	0	0	(337)	(607)	0	0	(607)
5115	01	(971)	(134)	0	(1,104)	(1,747)	(241)	0	(1,988)
5117	01	(1,215)	0	(78)	(1,292)	(2,188)	0	(140)	(2,328)
5117	04	0	0	(125)	(125)	0	0	(223)	(223)
5201	01	0	(966)	0	(966)	0	(1,739)	0	(1,739)
5201	02	0	(314)	(33)	(348)	0	(566)	(60)	(626)
5301	01	(27)	0	(199)	(225)	(48)	0	(357)	(405)
5301	02	(125)	(924)	(379)	(1,428)	(226)	(1,663)	(681)	(2,570)
5301	03	(99)	(210)	(66)	(376)	(179)	(378)	(119)	(677)
5301	05	0	(241)	0	(241)	0	(433)	0	(433)
5301	06	(186)	(115)	0	(301)	(334)	(207)	0	(541)
5301	09	(97)	0	0	(97)	(175)	0	0	(175)
5401	07	0	0	(61)	(61)	0	0	(111)	(111)
5603	01	(74)	(665)	0	(738)	(133)	(1,196)	0	(1,329)
5603	10	(30)	(1)	0	(31)	(54)	(1)	0	(55)
5706	21	(1,750)	(1,830)	0	(3,580)	(3,151)	(3,293)	0	(6,444)
5801	01	(220)	0	(48)	(267)	(395)	0	(86)	(481)
5801	02	(314)	0	0	(314)	(566)	0	0	(566)
5801	03	(249)	(22)	(141)	(412)	(448)	(40)	(253)	(742)
5801	06	(1,049)	(198)	0	(1,246)	(1,887)	(356)	0	(2,244)
5801	07	(353)	0	0	(353)	(636)	0	0	(636)
6101	01	(98)	0	(35)	(133)	(176)	0	(62)	(239)
6101	03	(272)	0	(24)	(297)	(492)	0	(44)	(535)
6101	04	0	(351)	0	(351)	0	(632)	0	(632)
6101	06	(196)	0	(818)	(1,014)	(353)	0	(1,468)	(1,821)
6101	07	0	0	(1,638)	(1,638)	0	0	(2,949)	(2,949)
6101	08	(5,170)	0	0	(5,170)	(9,293)	0	0	(9,293)
6101	13	0	0	(153)	(153)	0	0	(273)	(273)
6101	23	(466)	(85)	(193)	(744)	(838)	(153)	(347)	(1,339)
6101	24	0	0	(126)	(126)	0	0	(226)	(226)
6101	37	(115)	0	0	(115)	(207)	0	0	(207)
6105	01	0	0	(465)	(465)	0	0	(821)	(821)
6201	15	(95)	(134)	(20)	(250)	(171)	(242)	(37)	(449)
6201	30	0	(52)	0	(52)	0	(93)	0	(93)

Agency	Pgm	FY94 Reductions				FY95 Reductions			
		GF	SSR	OTHER	TOTAL	GF	SSR	OTHER	TOTAL
6201	40	(28)	(82)	0	(110)	(51)	(147)	0	(198)
6201	50	(29)	0	(70)	(98)	(52)	0	(125)	(177)
6401	10	(996)	(153)	0	(1,149)	(1,792)	(276)	0	(2,068)
6501	02	0	(34)	0	(34)	0	(60)	0	(60)
6501	36	0	(120)	0	(120)	0	(216)	0	(216)
6501	37	0	(75)	0	(75)	0	(136)	0	(136)
6501	51	(39)	(29)	0	(68)	(71)	(52)	0	(123)
6501	52	0	(231)	0	(231)	0	(416)	0	(416)
6501	60	(46)	0	0	(46)	(83)	0	0	(83)
6501	61	(122)	0	0	(122)	(219)	0	0	(219)
6501	62	0	0	(144)	(144)	0	0	(259)	(259)
6501	65	0	(147)	0	(147)	0	(267)	0	(267)
6501	70	(61)	0	0	(61)	(107)	0	0	(107)
6501	78	0	(44)	0	(44)	0	(79)	0	(79)
6501	81	0	0	(252)	(253)	(1)	0	(454)	(455)
6602	03	0	0	(2,827)	(2,827)	0	0	(5,089)	(5,089)
6602	08	(109)	0	0	(109)	(190)	0	0	(190)
6901	01	(79)	(8)	0	(87)	(142)	(15)	0	(157)
6901	04	(223)	(96)	0	(319)	(401)	(174)	0	(575)
6901	07	(132)	0	0	(132)	(238)	0	0	(238)
6901	08	(155)	(1)	0	(156)	(280)	(1)	0	(281)
6901	09	(146)	(25)	0	(171)	(263)	(44)	0	(308)
6901	10	(28)	(9)	0	(38)	(51)	(17)	0	(68)
6901	14	(88)	0	0	(88)	(158)	0	0	(158)
Total		(22,973)	(8,526)	(9,199)	(40,698)	(40,500)	(16,184)	(16,532)	(73,216)

STATE PERSONNEL DIVISION

6101-23

Budget Item	FY94 Appropriated	FY94 Recommended	Difference	FY95 Appropriated	FY95 Recommended	Difference
FTE	41.22	41.22	0.00	41.22	41.22	0.00
Personal Services	3,181,094	3,181,094	0	3,161,009	3,161,009	0
Operating Expenses	1,001,342	1,001,342	0	620,280	620,280	0
Equipment	25,090	25,090	0	17,060	17,060	0
Debt Service	720	720	0	0	0	0
Total Costs	4,208,246	4,208,246	0	3,798,349	3,798,349	0
General Fund	1,588,328	1,406,500	(181,828)	1,502,941	1,182,383	(320,558)
State Special	1,275,182	1,457,010	181,828	1,265,113	1,585,671	320,558
Proprietary Fund	1,332,669	1,332,669	0	1,018,546	1,018,546	0
Non-expendable Trust	12,067	12,067	0	11,749	11,749	0
Total Funding	4,208,246	4,208,246	0	3,798,349	3,798,349	0

ITEM

FY94 **FY95**

- Increased Recovery of General Fund Costs for Statewide Services**
The executive budget proposes implementation of a State Funds Cost Recovery Plan (SFCAP) to recover the costs of core governmental "infrastructure" services from nongeneral fund sources which currently do not fully or directly contribute for these costs. A portion of the current general fund support for the Personnel Division would be replaced with funding from SFCAP contributions. For further discussion, see the section under the Accounting and Management Services Division in the Department of Administration.

Department of Military Affairs

OPERATIONS SUPPORT

6701-01

Budget Item	FY94	FY94	Difference	FY95	FY95	Difference
	Appropriated	Recommended		Appropriated	Recommended	
FTE	7.10	6.64	(0.46)	7.10	6.10	(1.00)
Personal Services	242,481	236,679	(5,802)	246,502	220,614	(25,888)
Operating Expenses	77,612	72,612	(5,000)	74,926	65,960	(8,966)
Equipment	0	0	0	574	574	0
Benefits and Claims	2,280	2,280	0	2,280	2,280	0
Total Costs	322,373	311,571	(10,802)	324,282	289,428	(34,854)
General Fund	322,373	299,571	(22,802)	324,282	277,428	(46,854)
Federal Special	0	12,000	12,000	0	12,000	12,000
Total Funding	322,373	311,571	(10,802)	324,282	289,428	(34,854)

ITEM	FY94	FY95
• Operations Support Reductions		
Recommended reductions include elimination of 1.00 FTE (less than a full FTE for the remainder of FY94) administrative position in Bozeman who works totally for the federal Guard Bureau and a shift to federal funds for 50 percent of the salary and benefits for an accounting technician in Helena. General liability insurance of \$5,000 per year and other operating expenses will be deleted from the operating budget and paid for directly by the federal government.	(22,802)	(46,854)

AIR NATIONAL GUARD PGM

6701-13

Budget Item	FY94	FY94	Difference	FY95	FY95	Difference
	Appropriated	Recommended		Appropriated	Recommended	
FTE	35.00	35.00	0.00	35.00	35.00	0.00
Personal Services	1,043,674	1,043,674	0	1,065,901	1,065,901	0
Operating Expenses	554,351	489,651	(64,700)	567,192	500,860	(66,332)
Equipment	0	0	0	0	0	0
Total Costs	1,598,025	1,533,325	(64,700)	1,633,093	1,566,761	(66,332)
General Fund	161,754	145,579	(16,175)	165,828	149,245	(16,583)
Federal Special	1,436,271	1,387,746	(48,525)	1,467,265	1,417,516	(49,749)
Total Funding	1,598,025	1,533,325	(64,700)	1,633,093	1,566,761	(66,332)

ITEM	FY94	FY95
● Air Guard Draw Down of R & M/Consolidation Recommended reductions will be applied to repair and maintenance projects and consolidation of space to reduce utilities expense. The reduction in federal funds at the 75%-25% matching rate amounts to \$98,274 for the biennium.	(16,175)	(16,583)



HUMAN SERVICES

OVERVIEW

Agency	FY92	Actual	FY93	FY94	Appropriated FY95	FY94	Recommended FY95	FY95	Differences			Biennial % Change 95 Rec/ 93 Actual	95 Approp
									FY94	FY95	FY95		
5301 Health and Environmental Sciences													
General Fund	3,857,455	3,718,945	3,015,703	3,022,265	3,015,127	3,021,265	(576)	(1,000)	-20.3%	0.0%			
State Special	11,305,286	13,865,838	14,356,612	14,137,916	14,355,011	14,135,137	(1,601)	(2,779)	-13.2%	0.0%			
Federal Revenue	29,252,507	30,985,594	40,581,693	43,257,361	40,581,693	43,257,361	0	0	39.2%	0.0%			
Proprietary/Other *	1,596,448	1,775,382	2,417,905	2,338,383	2,426,955	2,356,603	9,050	18,220	41.9%	0.6%			
Total Funds	46,011,696	50,345,758	60,371,913	62,755,925	60,378,786	62,770,366	6,873	14,441	27.8%	0.0%			
6602 Labor and Industry													
General Fund	743,745	698,402	813,739	788,411	740,450	507,298	(73,289)	(281,113)	-13.5%	-22.1%			
State Special	2,957,117	3,341,798	13,334,975	11,098,871	13,329,893	11,094,370	(5,082)	(4,501)	28.8%	0.0%			
Federal Revenue	35,744,347	36,105,679	27,969,459	26,963,108	27,969,459	26,963,108	0	0	-23.5%	0.0%			
Proprietary/Other *	4,304,765	3,624,536	3,661,663	3,635,439	3,665,127	3,643,613	3,464	8,174	-7.8%	0.2%			
Total Funds	43,749,974	43,770,415	45,779,836	42,485,829	45,704,929	42,208,389	(74,907)	(277,440)	0.4%	-0.4%			
6901 Social and Rehabilitation Services													
General Fund	98,301,423	110,976,134	116,283,594	130,043,294	113,299,024	121,790,863	(2,984,570)	(8,252,431)	12.3%	-4.6%			
State Special	14,322,188	16,917,921	15,087,728	15,464,028	15,075,034	15,451,420	(12,694)	(12,608)	-2.3%	-0.1%			
Federal Revenue	280,005,855	325,432,815	338,702,818	358,608,568	331,400,718	338,533,368	(7,302,100)	(20,075,200)	10.7%	-3.9%			
Proprietary/Other *	0	0	0	0	8,916	17,724	8,916	17,724	NA	NA			
Total Funds	392,629,467	453,326,870	470,074,140	504,115,890	459,783,692	475,793,375	(10,290,448)	(28,322,515)	10.6%	-4.0%			
6911 Family Services													
General Fund	31,232,324	36,265,718	37,438,683	32,811,571	37,317,845	32,535,612	(120,838)	(275,959)	3.5%	-0.6%			
State Special	2,960,980	2,857,176	3,025,977	3,071,865	3,051,475	3,164,764	25,498	92,899	6.8%	1.9%			
Federal Revenue	15,128,561	18,376,194	21,998,163	19,981,330	21,998,163	19,981,330	0	0	25.3%	0.0%			
Proprietary/Other *	0	0	0	0	1,493	2,963	1,493	2,963	NA	NA			
Total Funds	49,321,865	57,499,088	62,462,823	55,864,766	62,368,976	55,684,669	(93,847)	(180,097)	10.5%	-0.2%			

Department of Health & Environmental Sciences

Budget Item	MONTANA HEALTH CARE AUTHORITY			5301-10		
	FY94 Appropriated	FY94 Recommended	Difference	FY95 Appropriated	FY95 Recommended	Difference
FTE	2.00	2.00	0.00	0.00	0.00	0.00
Personal Services	93,921	93,921	0	0	0	0
Operating Expenses	656,079	556,079	(100,000)	750,000	700,000	(50,000)
Equipment	0	0	0	0	0	0
Total Costs	750,000	650,000	(100,000)	750,000	700,000	(50,000)
General Fund	750,000	650,000	(100,000)	750,000	700,000	(50,000)
State Special	0	0	0	0	0	0
Federal Special	0	0	0	0	0	0
Total Funding	750,000	650,000	(100,000)	750,000	700,000	(50,000)

* Note: Program 10 is not included in House Bill 2. It was created to reflect the Montana Health Care Authority budget established by House Bill 145. This table shows the budget as it currently exists.

ITEM	FY94	FY95
● Montana Health Care Authority Savings	(100,000)	(50,000)

During the 1993 legislative session, SB285 was passed and approved creating the Montana Health Care Authority. The task of this authority is to work on developing two statewide health care plans, one based on a single-payor concept and one based on a multiple-payor concept, to present to the 1995 Legislature. The authority was funded in HB145 (Chapter 550, Laws of 1993) which contains general fund appropriations of \$178,385 during FY94 and \$163,817 during FY95 for the State Auditor's office to carry out its duties outlined in SB285. The bill also appropriates \$750,000 general fund each year of the biennium to the DHES, to which the authority is administratively attached. Of the total proposed savings, a portion will be due to delays in hiring staff during the first year.

Department of Labor & Industry

EMPLOYMENT RELATIONS

6602-04

Budget Item	FY94 Appropriated	FY94 Recommended	Difference	FY95 Appropriated	FY95 Recommended	Difference
FTE	75.75	75.75	0.00	75.75	75.75	0.00
Personal Services	2,292,479	2,292,479	0	2,199,137	2,199,137	0
Operating Expenses	1,472,157	1,472,157	0	1,085,074	1,085,074	0
Equipment	263,520	263,520	0	87,020	87,020	0
Capital Outlay	4,500	4,500	0	0	0	0
Benefits and Claims	334,151	261,049	(73,102)	305,503	24,649	(280,854)
Total Costs	4,366,807	4,293,705	(73,102)	3,676,734	3,395,880	(280,854)
General Fund	334,526	261,424	(73,102)	306,777	25,923	(280,854)
State Special	3,518,502	3,518,502	0	2,863,020	2,863,020	0
Federal Special	42,140	42,140	0	44,286	44,286	0
Proprietary Fund	471,639	471,639	0	462,651	462,651	0
Total Funding	4,366,807	4,293,705	(73,102)	3,676,734	3,395,880	(280,854)

ITEM

FY94 FY95

- **Eliminate the Silicosis Program**

The general fund appropriation for silicosis benefits is \$308,666 in FY94 and \$280,854 in FY95. This program has been reduced in prior special sessions due to declining numbers of beneficiaries.

There are 18 silicotics remaining and 82 silicotic beneficiaries or spouses of claimants who died prior to March 14, 1974, who are receiving \$200 a month in benefits. There are 63 survivors/beneficiaries of claimants who died after March 14, 1974, who are receiving \$100 a month. Assuming an elimination date of March 31, 1994, and the number of claimants/beneficiaries remaining the same, the general fund savings for FY94 will be \$73,102.

(73,102) (280,854)

Department of Social & Rehabilitation Services

MEDICAID SERVICES

6901-07

Budget Item	FY94 Appropriated	FY94 Recommended	Difference	FY95 Appropriated	FY95 Recommended	Difference
FTE	46.50	46.50	0.00	46.50	46.50	0.00
Personal Services	1,632,869	1,632,869	0	1,660,793	1,660,793	0
Operating Expenses	4,380,023	4,380,023	0	4,418,638	4,418,638	0
Equipment	56,233	56,233	0	51,333	51,333	0
Benefits and Claims	301,027,498	290,768,098	(10,259,400)	329,003,256	300,700,556	(28,302,700)
Transfers	1,224,990	1,224,990	0	0	0	0
Total Costs	308,321,613	298,062,213	(10,259,400)	335,134,020	306,831,320	(28,302,700)
General Fund	74,367,721	71,410,421	(2,957,300)	85,114,397	76,886,897	(8,227,500)
State Special	6,770,434	6,770,434	0	6,889,623	6,889,623	0
Federal Special	227,183,458	219,881,358	(7,302,100)	243,130,000	223,054,800	(20,075,200)
Total Funding	308,321,613	298,062,213	(10,259,400)	335,134,020	306,831,320	(28,302,700)

Under the Medicaid program, states are required to provide a minimum level of services in order to participate. These services include, but are not limited to, inpatient and outpatient hospital services and physician services. In addition to these mandated services, states may elect to provide any of 31 additional optional services allowed under federal regulations. Currently the Montana Medicaid program covers 27 of the 31 optional services. Only two other states provide 27 or more optional services.

Since Montana has offered 27 optional services, federal regulations require that the state continue to offer those optional services to pregnant women, individuals residing in nursing homes and Intermediate Care Facilities for the Mentally Retarded (ICF-MRs), and people covered under the Home and Community Services waiver or the Developmental Disabilities waiver. The state is not required to offer the four optional services that it has not covered before to this population. In addition to these requirements, children who are covered by Medicaid must be provided any medically necessary service, regardless of whether the service is considered optional, mandatory or is "non-covered". (In this case, non-covered refers to a service that will not be covered for any Medicaid client other than a child.) Therefore, a reduction or elimination of optional services will impact only Medicaid clients who do not fall into one of these categories. In addition, all Medicaid mandatory and optional services are reviewed for medical necessity.

ITEM	FY94	FY95
• Eliminate Adult Podiatry Services	(700)	(1,800)
Services provided by licensed podiatrists currently are covered for Medicaid patients as an optional service. This proposal would eliminate coverage for Medicaid patients for this service. The estimated general fund savings shown at right is based on an assumption that 90 percent of the patients who would not be eligible for this optional service would seek podiatric care under the mandatory physician services benefit. The remaining 10 percent would not receive podiatric services. In addition to general fund savings, there would be a \$6,100 reduction in matching federal revenue during the 1995 biennium for this option.		
• Eliminate Adult Hearing Aids and Audiology Services	(3,000)	(7,500)
This optional Medicaid service covers hearing aids and audiology exams for Medicaid clients. A reduction in federal matching funds of about \$25,300 during the 1995 biennium from this option would be in addition to the general fund savings.		
• Reduce Adult Physical, Speech, Occupational Therapy Services	(18,400)	(45,000)

The state currently pays for rehabilitative, physical, speech and occupational therapy services provided by licensed therapists. Under this proposal, these benefits would be reduced from a maximum of 100 hours to a maximum of 35 hours of therapy. If necessary, a patient could receive additional therapy within the more expensive outpatient hospital or home health care benefit. The anticipated reduction in federal matching funds during the 1995 biennium due to the general fund reduction would be approximately \$152,400.

- **Eliminate Adult Eyeglasses and Optical Services** (91,400) (224,000)
This proposal would eliminate coverage of eyeglasses and routine eye care by opticians, optometrists and ophthalmologists. Treatment for non-routine eye care still would be available through the mandatory physicians services benefit. The estimated reduction in federal matching funds during the 1995 biennium would be \$759,500 in addition to the reduction in general fund shown to the right.

- **Eliminate Adult Denture and Dental Services** (251,900) (617,200)
Currently, the state Medicaid plan includes coverage for dental services and dentures. The recommended proposal will eliminate coverage of those items. In addition to the reduction in general fund, the approximate reduction in federal matching funds during the 1995 biennium would be \$2,092,800.

Another proposal would be to eliminate these services, but pay for emergency services to relieve pain and suffering. The general fund savings during the 1995 biennium for this option would be about \$514,100 (in lieu of the \$251,900 in FY94 savings and \$617,200 in FY95 savings shown at the right).

- **Increase Pharmacy Copay** (9,000) (18,400)
A one dollar copayment currently is required from clients for each prescription. This proposal would increase the copayment to two dollars only on brand name (non-generic) prescriptions. Copays are not and would not be applied to emergency services. In addition to general fund savings shown at the right, federal matching revenue of \$66,100 will be reduced during the 1995 biennium.

- **Increase Copay Limit** (37,300) (74,700)
Under the current Medicaid program, a maximum copayment liability for a family is \$127 per state fiscal year. This proposal would increase the maximum family copayment liability to \$300 per year. Copays are not and would not be applied to emergency services. The projected reduction in federal matching funds during the 1995 biennium would be approximately \$267,700 in addition to the general fund reduction.

- **Increase Coinsurance on Inpatient Hospital Stays** (118,100) (240,400)
This proposal would increase the patient responsibility for payment of an inpatient hospital stay. Medicaid patients admitted to the hospital would be asked to pay a \$200 coinsurance payment for that stay unless it is an emergency. Currently, patients are charged three dollars for each day that they stay in the hospital. This proposal would reduce federal matching funds by about \$864,000 along with the general fund reduction during the 1995 biennium.

• Reduce Limit on Personal Care Services Under this service option currently, Medicaid clients are allowed to have personal care services (assistance with activities of daily living provided by attendants who are supervised by registered nurses) provided for 40 hours per week. No more than one-third of these hours may be provided for household tasks. The proposal would reduce the maximum benefit to 35 hours per week. The SRS calculates that 20 recipients would be impacted by this proposal and could require placement in a nursing home. The estimated decrease during the 1995 biennium would be \$363,600 federal matching funds plus the reduction in general fund.	(44,900)	(106,200)
• Limit the Number of Mental Health Services Currently, there is a 22 hour limitation on therapy provided by social workers, psychologists and licensed professional counselors in the individual, group or family setting. This proposal would include community mental health centers in this limitation of the mental health benefit. There would be no limitation on targeted case management. The estimated reduction in federal matching funds for the 1995 biennium would be \$487,100. The general fund reduction is shown at right.	(55,900)	(146,500)
• Limit Number of Day Treatment Services This proposal would implement a limit on the number of hours of day treatment that a client may receive at a community mental health center. Currently, there is no limit. The proposal would place a cap of 780 hours per year, which is an average of 15 hours per week on Medicaid clients. The projected reduction in funding during the 1995 biennium would be \$1,020,100. This includes federal matching funds of \$720,100 plus the general fund reduction shown.	(82,700)	(217,300)
• Capitiate Mental Health Services to Adults This proposal would restructure the reimbursement mechanism for mental health services under Medicaid. The department would apply for a waiver from the federal government to restrict the number of providers of mental health services. The SRS would issue competitive bids for providers of mental health services. Inpatient and outpatient mental health services would be paid to a provider as a fixed amount per client instead of per service. Providers who were able to provide care for less than the capitated amount would realize a profit, whereas providers who did not provide care in the most efficient manner may sustain extra cost. The additional \$50,000 general fund during FY94 reflects the cost of a contract to develop and implement this new service delivery system. (The contract is estimated to cost \$100,000 during FY94 and \$50,000 during FY95, half of which are federal matching funds.) The department plans to implement this change at the beginning of January 1995. This proposal also allows for more management of the care given to clients. Federal matching fund reductions are estimated to be \$150,600 during the 1995 biennium.	50,000	(69,400)
• Limit Services for Medically Needy to Primary and Preventive Care (2,294,000) (5,276,200) The Medically Needy program is intended to provide a bridge between people who are fully eligible for Medicaid and those whose income is slightly too high to qualify for Medicaid, but still have health care expenses. This proposal would limit the benefits to clients on the Medically Needy program to primary and preventative care services, drugs, and lab and x-ray services. The		

Medically Needy program would not cover hospital services. The estimated reduction in federal matching funds would be \$18,595,200 during the 1995 biennium.

- **Reduce Outpatient Hospital Reimbursement** 0 (474,900)
Reimbursement to hospitals for outpatient services is done retrospectively under the Medicaid program. During the year, hospitals receive payments based on a percentage of their billed charges. Then at the end of the year, all costs are totaled and Medicaid adjusts the total payment to meet a set percentage of those costs. During the 1993 Legislature, the sole community hospital reimbursement was established at 98.8 percent of actual costs. Hospitals in multiple hospital communities are to be reimbursed at 93 percent of actual cost. This proposal would reduce these percentages to 93.8 percent and 88 percent, respectively, and would reduce federal matching funds by approximately \$1,134,800 over the 1995 biennium.
- **Delay Implementation of Nursing Home Property Reimbursement Changes** 0 (466,700)
The SRS has contracted for a study to recommend changes in the property reimbursement component of the nursing home reimbursement formula. This proposal would delay implementation of the recommendations and freeze the property reimbursement for FY95. This also would provide no rebasing of the reimbursement formula for FY95. Estimated federal matching fund reductions would be \$1,115,300 during the 1995 biennium.
- **Implement a Special Income Limit for Nursing Home Eligibility** 0 (241,300)
This proposal would implement the special income limit which is used in determining nursing home eligibility under the Medicaid program. The special income limit would be set at 300 percent of the federal Supplemental Security Income monthly payment which is currently \$434. Therefore, the limit would be \$1,302 per month. Persons with incomes exceeding this limit would not be eligible for nursing home care reimbursement under Medicaid. Approximately 170 people would be impacted by this proposal. The SRS would delay implementation of this option until January 1, 1995, to allow people to seek financing for their nursing home care to replace the state support and/or to pursue alternative care options. The federal matching fund reduction during the 1995 biennium would be about \$576,700. This proposal would generate general fund savings projected at \$1.2 million during the 1997 biennium.

Department of Family Services

JUVENILE CORRECTIONS

6911-03

Budget Item	FY94 Appropriated	FY94 Recommended	Difference	FY95 Appropriated	FY95 Recommended	Difference
FTE	206.48	206.48	0.00	206.48	206.48	0.00
Personal Services	6,044,591	6,044,591	0	6,199,251	6,199,251	0
Operating Expenses	1,289,588	1,289,588	0	1,320,561	1,320,561	0
Equipment	44,110	44,110	0	22,149	22,149	0
Benefits and Claims	216,000	216,000	0	216,000	216,000	0
Transfers	18,700	18,700	0	18,700	18,700	0
Total Costs	7,612,989	7,612,989	0	7,776,661	7,776,661	0
General Fund	6,945,293	6,919,793	(25,500)	7,097,739	7,004,839	(92,900)
State Special	285,261	310,761	25,500	288,499	381,399	92,900
Federal Special	382,435	382,435	0	390,423	390,423	0
Total Funding	7,612,989	7,612,989	0	7,776,661	7,776,661	0

ITEM

FY94	FY95
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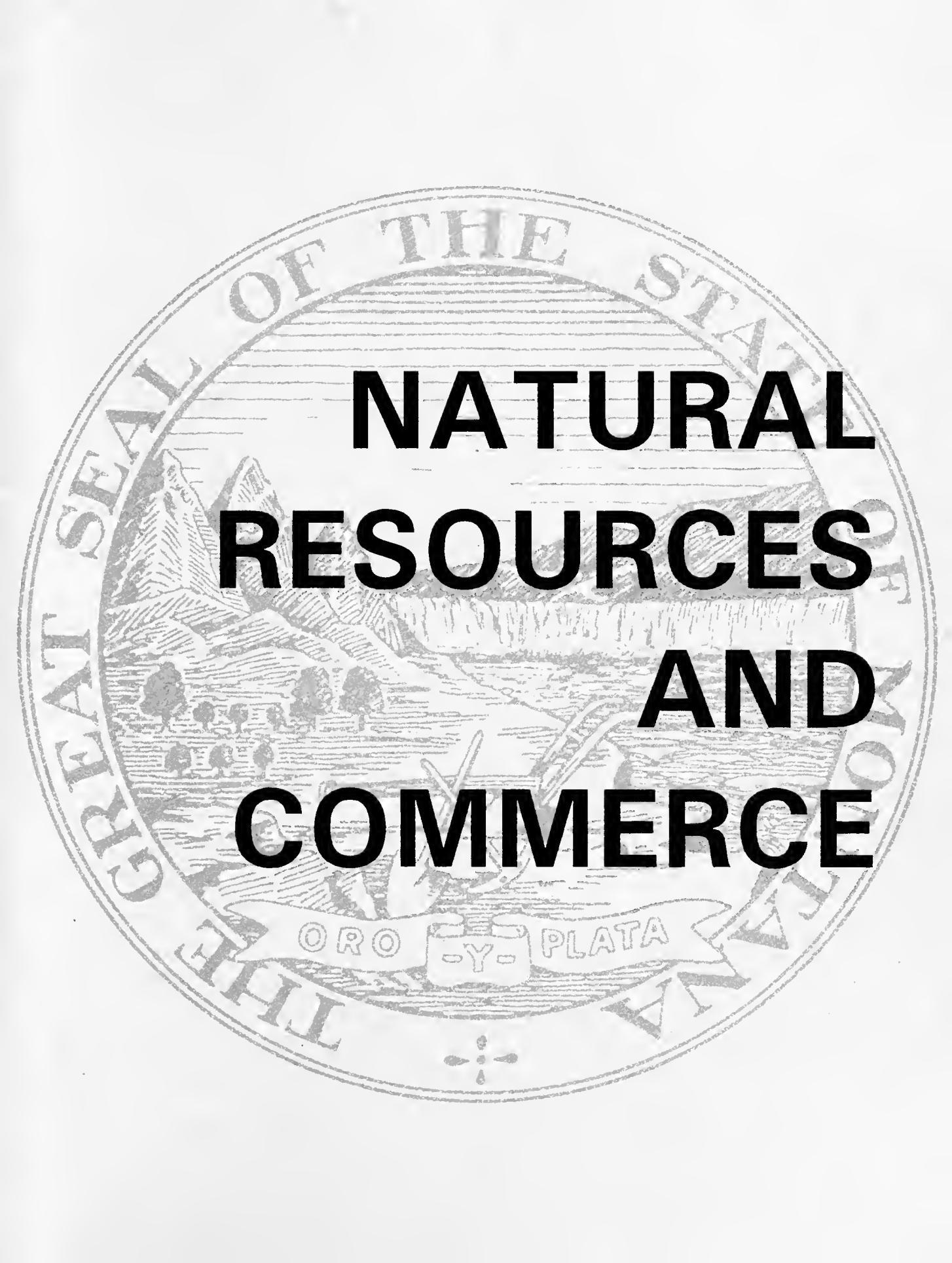
- **Timber Revenue to I & I**
During the 1992 special session, the legislature passed HB3 which provided that revenue from state timber sales on school lands would be deposited in the school equalization account. This provision was made permanent for the schools by HB667. The recommended budget extends the provision to other non-university trust lands. Timber sale revenues are proposed to be deposited to their respective interest and income accounts effective January 1, 1994. The impact on Pine Hills is additional state special revenue of \$25,500 in FY94 and \$92,900 in FY95, which reduces general fund by a like amount.

COMMUNITY & PROTECTIVE SERVICE

6911-05

Budget Item	FY94 Appropriated	FY94 Recommended	Difference	FY95 Appropriated	FY95 Recommended	Difference
FTE	20.25	20.25	0.00	20.25	20.25	0.00
Personal Services	739,000	739,000	0	736,443	736,443	0
Operating Expenses	686,911	686,911	0	689,130	689,130	0
Equipment	21,110	21,110	0	21,110	21,110	0
Grants	1,471,881	1,380,924	(90,957)	1,471,176	1,289,263	(181,913)
Benefits and Claims	28,608,268	28,608,268	0	27,123,092	27,123,092	0
Total Costs	31,527,170	31,436,213	(90,957)	30,040,951	29,859,038	(181,913)
General Fund	18,332,278	18,241,321	(90,957)	16,769,665	16,587,752	(181,913)
State Special	1,774,371	1,774,371	0	1,802,855	1,802,855	0
Federal Special	11,420,521	11,420,521	0	11,468,431	11,468,431	0
Total Funding	31,527,170	31,436,213	(90,957)	30,040,951	29,859,038	(181,913)

ITEM	FY94	FY95
• Eliminate State Support for Big Brother and Sisters Big Brothers and Sisters is appropriated grants from DFS in the amount of \$181,913 general fund each year of the 1995 biennium. Big Brothers and Sisters is a not-for-profit organization that receives funding from other sources such as United Way and private donations.	(90,957)	(181,913)



The Great Seal of the State of Colorado is a circular emblem. The outer ring contains the text "THE GREAT SEAL OF THE STATE OF COLORADO" in a stylized font. Inside the ring, there is a detailed illustration of a landscape featuring mountains, a river, and a plow. A banner at the bottom of the scene bears the words "ORO - Y - PLATA". Overlaid on the center of the seal is the text "NATURAL RESOURCES AND COMMERCE" in large, bold, black letters.

NATURAL RESOURCES AND COMMERCE

NATURAL RESOURCES AND COMMERCE

OVERVIEW

Agency	Fiscal Year	Actual	FY93	Appropriated	FY94	Appropriated	FY95	Recommended	FY95	Differences			Biennial % Change	
										FY94	FY95	FY95	93 Actual	95 Rec/ 95 Approv
4201 Public Service Regulation														
General Fund	2,091,853	2,143,462		0	2,056,320	0	2,352,898	0	0	(347)	0	(308)	-100.0%	NA
State Special	0	0	2,353,245	29,727	28,168	29,727	28,168	28,168	0	0	0	0	NA	0.0%
Federal Revenue	24,680	26,446	29,727	0	0	0	0	0	0	0	0	0	NA	0.0%
Proprietary Fund	19,379	16,123	0	0	0	0	0	0	0	0	0	0	NA	0.0%
Total Funds	2,135,912	2,186,032	2,382,972	2,084,488	2,382,625	2,084,180	(347)	(347)	(308)	(308)	(308)	(308)	3.4%	0.0%
5201 Fish, Wildlife, & Parks														
General Fund	393,422	384,565	311,105	315,937	311,105	315,937	311,105	311,105	0	0	0	(3,839)	-19.4%	0.0%
State Special	23,298,254	25,400,232	26,025,532	24,427,892	26,022,547	24,424,053	24,422,547	24,424,053	0	(2,985)	(2,985)	(3,839)	3.6%	0.0%
Federal Revenue	8,894,508	9,306,704	10,993,588	9,708,059	10,993,588	9,708,059	9,708,059	9,708,059	0	0	0	0	13.7%	0.0%
Capital Projects	18,204	0	0	0	0	0	0	0	0	0	0	0	-100.0%	NA
Proprietary/Other *	2,224,596	2,243,678	2,309,695	2,419,720	2,338,350	2,476,881	2,476,881	2,476,881	0	0	57,161	53,322	7.8%	1.8%
Total Funds	34,828,985	37,335,181	39,639,920	36,871,608	39,665,590	36,924,930	36,924,930	36,924,930	25,670	25,670	53,322	53,322	6.1%	0.1%
5501 State Lands														
General Fund	14,493,114	10,309,154	8,412,430	8,454,055	8,177,035	7,910,916	7,910,916	7,910,916	(235,395)	(235,395)	(543,139)	(543,139)	-35.1%	-4.6%
State Special	4,551,618	4,913,281	9,030,958	5,420,215	9,099,009	5,493,386	6,805,1	6,805,1	68,051	68,051	73,171	73,171	54.2%	1.0%
Federal Revenue	4,190,897	4,655,808	6,895,285	6,930,999	6,889,035	6,930,999	6,930,999	6,930,999	(6,250)	0	0	0	56.2%	0.0%
Capital Projects	43,517	44,657	0	0	0	0	0	0	0	0	0	0	-100.0%	NA
Proprietary/Other *	234,675	353,898	457,376	505,278	463,548	517,564	517,564	517,564	0	0	12,286	12,286	66.7%	1.9%
Total Funds	23,513,821	20,276,797	24,796,049	21,310,547	24,628,627	20,852,865	20,852,865	20,852,865	(167,422)	(167,422)	(457,682)	(457,682)	3.9%	-1.4%
5603 Livestock														
General Fund	763,344	549,933	454,596	451,078	321,017	129,741	129,741	129,741	(133,579)	(133,579)	(321,337)	(321,337)	-65.7%	-50.2%
State Special	3,996,755	4,293,578	4,736,148	4,871,698	4,773,919	4,921,525	37,771	49,827	49,827	49,827	49,827	49,827	16.9%	0.9%
Federal Revenue	324,182	338,626	359,836	366,705	254,268	25,000	105,568	(341,705)	(341,705)	(341,705)	(341,705)	(341,705)	-57.9%	-61.6%
Proprietary/Other *	0	0	0	0	4,409	8,782	4,409	8,782	8,782	8,782	NA	NA	NA	NA
Total Funds	5,084,281	5,182,136	5,550,580	5,689,481	5,353,613	5,085,048	5,085,048	5,085,048	(196,967)	(196,967)	(604,433)	(604,433)	1.7%	-7.1%
5706 Natural Resources and Conservation														
General Fund	4,245,419	4,435,613	3,350,171	3,383,074	3,009,149	3,058,988	3,058,988	3,058,988	(341,022)	(341,022)	(324,086)	(324,086)	-30.1%	-9.9%
State Special	28,630,238	25,013,107	11,365,862	8,635,737	11,366,671	8,681,460	8,681,460	8,681,460	809	809	45,723	45,723	-62.6%	0.2%
Federal Revenue	3,170,219	4,221,260	13,130,630	1,226,417	13,130,630	1,226,417	1,226,417	1,226,417	0	0	0	0	94.2%	0.0%
Proprietary/Other *	0	0	0	0	6,578	13,099	6,578	13,099	6,578	6,578	NA	NA	NA	NA
Expendable Trust	0	0	397,569	0	397,569	0	397,569	0	0	0	0	0	0.0%	0.0%
Total Funds	36,045,876	33,669,979	28,244,232	13,245,232	27,910,597	12,979,964	12,979,964	12,979,964	(333,635)	(333,635)	(265,264)	(265,264)	-41.3%	-1.4%

Agency	FY92	Actual	FY93	FY94	Appropriated FY95	FY94	Recommended FY95	FY94	Differences FY95	Biennial % Change		
										FY95	95 Rec/ 93 Actual	95 Rec/ 95 Approp
6201 Agriculture												
General Fund	1,135,039	969,822	533,464	468,636	479,966	421,499	(53,498)	(47,137)	-57.2%	-10.0%		
State Special	4,492,733	4,133,574	6,811,726	6,038,920	6,811,458	6,038,438	(268)	(482)	49.0%	0.0%		
Federal Revenue	523,372	705,396	598,893	528,876	598,893	528,876	0	0	-8.2%	0.0%		
Proprietary/Other *	5,859	1,499,090	224,315	224,813	228,129	232,410	3,814	7,597	-69.4%	2.5%		
Expendable Trust	280,090	292,424	66,302	65,247	66,302	65,247	0	0	-77.0%	0.0%		
Total Funds	6,437,092	7,600,306	8,234,700	7,326,492	8,184,748	7,286,470	(49,952)	(40,022)	10.2%	-0.6%		
6501 Commerce												
General Fund	2,739,196	2,516,694	1,536,887	1,550,784	1,426,519	1,440,215	(110,368)	(110,569)	-45.5%	-7.2%		
State Special	15,093,142	16,154,274	18,270,575	16,684,155	18,269,895	16,682,929	(680)	(1,226)	11.9%	0.0%		
Federal Revenue	17,184,971	19,741,544	30,584,836	31,050,722	30,584,836	31,050,722	0	0	66.9%	0.0%		
Proprietary/Other *	42,230,131	52,447,654	14,394,775	13,662,188	14,419,313	12,697,478	24,538	(964,710)	-71.4%	-3.4%		
Total Funds	77,247,440	90,860,165	64,787,073	62,947,849	64,700,563	61,871,344	(86,510)	(1,076,505)	-24.7%	-0.9%		

* May include SFCAP authority that has not been allocated to the various funds of the agency.

Department of Fish, Wildlife & Parks

ADMINISTRATION & FINANCE DIV

5201-01

ITEM

- HB2 Language for Review of In-House Duplicating Facilities**

"The department of fish, wildlife and parks shall, in consultation with the department of administration, review the cost-effectiveness, along with other relevant considerations, of operating their in-house duplicating facilities compared to department of administration services. The department of fish, wildlife and parks shall report its conclusions, along with the department of administration comments, to the office of budget and program planning and the office of legislative fiscal analyst by June 1, 1994 and to the 1995 natural resource and commerce joint appropriations subcommittee."

Department of State Lands

CENTRAL MANAGEMENT PROGRAM

5501-01

Budget Item	FY94 Appropriated	FY94 Recommended	Difference	FY95 Appropriated	FY95 Recommended	Difference
FTE	31.76	30.26	(1.50)	32.35	29.35	(3.00)
Personal Services	1,122,403	1,069,403	(53,000)	1,162,068	1,054,068	(108,000)
Operating Expenses	607,254	607,254	0	600,302	600,302	0
Equipment	18,300	18,300	0	8,500	8,500	0
Grants	265,000	265,000	0	265,000	0	(265,000)
Transfers	183,009	183,009	0	107,949	107,949	0
Total Costs	2,195,966	2,142,966	(53,000)	2,143,819	1,770,819	(373,000)
General Fund	1,461,156	1,408,156	(53,000)	1,360,767	987,767	(373,000)
State Special	156,891	156,891	0	156,006	156,006	0
Federal Special	120,543	120,543	0	121,768	121,768	0
Capital Projects	0	0	0	0	0	0
Proprietary Fund	457,376	457,376	0	505,278	505,278	0
Total Funding	2,195,966	2,142,966	(53,000)	2,143,819	1,770,819	(373,000)

ITEM

FY94 FY95

- Reorganization and Reduction of Personnel**

(53,000) (108,000)

Reduction of 3.00 FTE through restructuring and reassignment of responsibilities within the central management division.

- Repeal the State Land Equalization Payment Statute**

0 (265,000)

The state reimburses 18 counties for their estimated tax loss on school trust lands. These 18 counties qualify for state payment by meeting the minimum of at least 6 percent of taxable acreage in state trust lands. Elimination of this statute will provide a general fund savings of \$265,000 in FY95. By statute the payment to the impacted counties must be made by December 1; therefore, there will be no savings in FY94. FY92 payments ranged from approximately \$600 to \$87,000.

LAND ADMINISTRATION PGM

5501-04

Budget Item	FY94 Appropriated	FY94 Recommended	Difference	FY95 Appropriated	FY95 Recommended	Difference
FTE	31.50	31.00	(0.50)	31.50	30.50	(1.00)
Personal Services	941,218	923,446	(17,772)	958,468	922,923	(35,545)
Operating Expenses	297,311	297,311	0	284,871	284,871	0
Equipment	48,400	48,400	0	41,791	41,791	0
Capital Outlay	5,000	5,000	0	5,000	5,000	0
Total Costs	1,291,929	1,274,157	(17,772)	1,290,130	1,254,585	(35,545)
General Fund	977,544	959,772	(17,772)	971,412	935,867	(35,545)
State Special	314,385	314,385	0	318,718	318,718	0
Federal Special	0	0	0	0	0	0
Total Funding	1,291,929	1,274,157	(17,772)	1,290,130	1,254,585	(35,545)

ITEM

FY94 **FY95**

- **Restructure Trust Oversight**

Eliminate position #180 and move the recreational use program responsibilities of the position to a position supported with the recreation use state special revenue.

FORESTRY

5501-25

Budget Item	FY94 Appropriated	FY94 Recommended	Difference	FY95 Appropriated	FY95 Recommended	Difference
FTE	242.58	242.08	(0.50)	244.08	243.08	(1.00)
Personal Services	6,876,623	6,838,637	(37,986)	7,039,581	6,994,581	(45,000)
Operating Expenses	2,769,319	2,719,472	(49,847)	2,881,104	2,869,223	(11,881)
Equipment	825,644	818,144	(7,500)	746,918	743,473	(3,445)
Transfers	100,000	93,750	(6,250)	100,000	100,000	0
Total Costs	10,571,586	10,470,003	(101,583)	10,767,603	10,707,277	(60,326)
General Fund	5,973,730	5,809,276	(164,454)	6,121,876	5,987,431	(134,445)
State Special	3,637,476	3,706,597	69,121	3,677,174	3,751,293	74,119
Federal Special	960,380	954,130	(6,250)	968,553	968,553	0
Total Funding	10,571,586	10,470,003	(101,583)	10,767,603	10,707,277	(60,326)

ITEM

FY94 **FY95**

- **Restructure the Nursery and Grounds Program and Eliminate the Bureau Chief Position**
- The responsibilities of the Nursery and Grounds Bureau Chief will be restructured and redistributed to other bureaus within the Forestry Division.
- **Revise the Slash Law**
- The slash law will be revised to shift the compliance responsibility to the landowner or operator. This change will eliminate the hazard reduction agreement and will reduce the inspection requirements and workload generated by an increasing harvest of forest products from private lands to match existing FTE.

Revision of the law will eliminate the bond resulting in a savings to the private land owner. Private landowners will continue to pay \$0.60 per 1,000 board feet for administration of the slash law. General fund will be replaced with state special revenue.

- Forestry Division Reduction** (65,333) (15,326)
Because of the light fire season, the Forestry Division was able to reduce its general fund supported fire operating budget by \$65,333 in FY94 and \$15,326 in FY95. In addition, a \$6,250 reduction of federal fire reimbursement authority will result in a \$6,250 general fund revenue increase shown on the balance sheet for FY94. Total general fund reductions will be \$71,583 for FY94.

Department of Livestock

CENTRALIZED SERVICES PROGRAM

5603-01

Budget Item	FY94 Appropriated	FY94 Recommended	Difference	FY95 Appropriated	FY95 Recommended	Difference
FTE	10.00	10.00	0.00	10.00	10.00	0.00
Personal Services	362,786	362,786	0	368,446	368,446	0
Operating Expenses	190,511	190,511	0	168,940	168,940	0
Equipment	32,760	32,760	0	21,613	21,613	0
Total Costs	586,057	586,057	0	558,999	558,999	0
General Fund	56,729	11,129	(45,600)	50,516	5,408	(45,108)
State Special	494,828	558,120	63,292	472,983	553,591	80,608
Federal Special	34,500	16,808	(17,692)	35,500	0	(35,500)
Total Funding	586,057	586,057	0	558,999	558,999	0

ITEM

FY94 FY95

- Replace General Fund with State Special Revenue** (45,600) (45,108)
Replacing general fund authority with state special revenue. There are sufficient funds in the department's state special revenue account to cover the funding switch.
- Elimination of the Meat and Poultry Inspection Program**
The federal funds received for the Meat and Poultry Inspection Program provide indirect funding support to the Centralized Services Division. There is \$17,692 in FY94 and \$35,500 in FY95 of federal funding replaced with state special revenue.

MEAT INSPECTION PROGRAM

5603-10

Budget Item	FY94 Appropriated	FY94 Recommended	Difference	FY95 Appropriated	FY95 Recommended	Difference
FTE	15.50	10.85	(4.65)	15.50	0.00	(15.50)
Personal Services	415,813	293,064	(122,749)	424,667	0	(424,667)
Operating Expenses	180,829	106,936	(73,893)	184,920	0	(184,920)
Equipment	3,618	0	(3,618)	1,937	0	(1,937)
Total Costs	600,260	400,000	(200,260)	611,524	0	(611,524)
General Fund	270,365	182,490	(87,875)	276,042	0	(276,042)
State Special	29,559	5,050	(24,509)	29,277	0	(29,277)
Federal Special	300,336	212,460	(87,876)	306,205	0	(306,205)
Total Funding	600,260	400,000	(200,260)	611,524	0	(611,524)

ITEM

	FY94	FY95
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- Eliminate the State Meat and Poultry Inspection Program** (87,875) (276,042)
The Meat and Poultry Inspection Program is funded 50 percent general fund and 50 percent federal special revenue. The Montana Meat and Poultry Inspection Act of 1987 (HB814) provided for the implementation and enforcement of a state meat inspection program that is "equal to" the inspection program maintained by the U. S. Department of Agriculture, Food Safety Inspection Service. Meat inspection services will continue with the elimination of the state program and will be provided by the U. S. Department of Agriculture (USDA).

The Meat Inspection Program reductions in HB2 will be reflected in program 10 and program 99 for HB198 authority.

Department of Natural Resources & Conservation

CENTRALIZED SERVICES

5706-21

Budget Item	FY94 Appropriated	FY94 Recommended	Difference	FY95 Appropriated	FY95 Recommended	Difference
FTE	35.50	34.50	(1.00)	35.50	33.50	(2.00)
Personal Services	1,245,210	1,211,894	(33,316)	1,264,080	1,196,204	(67,876)
Operating Expenses	519,688	519,688	0	473,526	473,526	0
Equipment	7,899	7,899	0	8,018	8,018	0
Debt Service	10,634	10,634	0	10,634	10,634	0
Total Costs	1,783,431	1,750,115	(33,316)	1,756,258	1,688,382	(67,876)
General Fund	822,441	789,125	(33,316)	836,063	768,187	(67,876)
State Special	839,068	839,068	0	842,389	842,389	0
Federal Special	121,922	121,922	0	77,806	77,806	0
Total Funding	1,783,431	1,750,115	(33,316)	1,756,258	1,688,382	(67,876)

ITEM	FY94	FY95
● Restructure Centralized Services Position #20250 is a graphic artist tech position that recently became vacant and will be eliminated as part of the restructuring within the Centralized Services Division. Current services will be maintained.	(13,924)	(28,535)
● Restructure Legal Services Position #10140, an attorney position, will be eliminated. The individual in the position has transferred to another position within the division.	(19,392)	(39,341)

CONSERVATION/RESOURCE DEV DIV

5706-23

Budget Item	FY94 Appropriated	FY94 Recommended	Difference	FY95 Appropriated	FY95 Recommended	Difference
FTE	18.50	18.50	0.00	18.50	18.50	0.00
Personal Services	622,713	622,713	0	634,154	634,154	0
Operating Expenses	451,305	397,880	(53,425)	364,910	361,485	(3,425)
Equipment	22,428	22,428	0	22,492	22,492	0
Local Assistance	205,000	205,000	0	205,000	205,000	0
Grants	173,173	173,173	0	173,228	173,228	0
Debt Service	2,564	2,564	0	2,564	2,564	0
Total Costs	1,477,183	1,423,758	(53,425)	1,402,348	1,398,923	(3,425)
General Fund	0	0	0	0	0	0
State Special	1,369,911	1,316,486	(53,425)	1,312,711	1,309,286	(3,425)
Federal Special	107,272	107,272	0	89,637	89,637	0
Total Funding	1,477,183	1,423,758	(53,425)	1,402,348	1,398,923	(3,425)

ITEM

- **Eliminate Clean Coal Program**

In the 1993 legislative session, the Conservation and Resource Development Division received a \$50,000 biennial appropriation of RIT monies and \$6,850 (\$3,425 each year) of local impact monies to evaluate a probable clean coal technology application to build a MHD plant in conjunction with an existing coal-fired generating plant in Billings. The project was not chosen by the federal government as one of the clean coal technologies that would receive federal monies, so it is extremely unlikely that such a plant will be built. It is proposed that the Clean Coal Program within the division be eliminated, that the appropriated funds be used to offset general fund in the Water Resource Division, and that the interest in the clean coal account be de-earmarked and allowed to flow into the general fund. See additional information under Long-Range Planning.

WATER RESOURCES DIVISION

5706-24

Budget Item	FY94 Appropriated	FY94 Recommended	Difference	FY95 Appropriated	FY95 Recommended	Difference
FTE	117.50	114.50	(3.00)	117.50	111.50	(6.00)
Personal Services	3,924,841	3,838,818	(86,023)	3,993,161	3,821,113	(172,048)
Operating Expenses	1,873,396	1,738,396	(135,000)	1,586,465	1,586,465	0
Equipment	103,657	103,657	0	74,170	74,170	0
Capital Outlay	13,281,000	13,281,000	0	0	0	0
Grants	0	0	0	0	0	0
Debt Service	378,744	378,744	0	8,744	8,744	0
Total Costs	19,561,638	19,340,615	(221,023)	5,662,540	5,490,492	(172,048)
General Fund	1,977,732	1,699,534	(278,198)	2,011,376	1,785,903	(225,473)
State Special	6,275,151	6,332,326	57,175	3,597,846	3,651,271	53,425
Federal Special	11,308,755	11,308,755	0	53,318	53,318	0
Total Funding	19,561,638	19,340,615	(221,023)	5,662,540	5,490,492	(172,048)

ITEM

- **Adjudication Program Reduction** FY94 FY95
 Eliminate four of the 17 regional office positions in the adjudication program. The Water Resources Division has been verifying claims faster than the Water Court can process them. The staff reduction will reduce the number of claims sent to the Water Court and reduce the number of unprocessed claims.
(48,328) (96,658)

- **USGS Cooperative Program and Groundwater Services - Funding Switch** (50,000) (50,000)
 During the 1993 legislative session, the Montana Bureau of Mines and Geology (MBMG) was appropriated \$666,000 per year or 14.1 percent of RIT proceeds for program expansion. It is recommended that the funding for the expansion program be reduced by \$50,000 in each year of the biennium. The \$50,000 per year of RIT proceeds would be appropriated to the Water Resources Division to replace an equal amount of general fund in the USGS cooperative stream gauging program and other groundwater services.
 Because MBMG will experience the actual program reduction, the biennial reduction of \$100,000 of RIT is to be included under the Montana University System. The general fund decrease and like amount of RIT increase is budgeted in this program. SB94 from the 1991 legislative session allocated the 14.1 percent of the RIT proceeds to MBMG.

- **Postpone the Lower Missouri Water Reservation EIS** (126,445) (75,390)
 Many of the water demand/shortage issues that drove the water reservations process in other basins are not as critical in the Lower Missouri. The department has enough information in the applications for water reservations to present a credible defense of future water needs (relative to the needs of downstream states) even if this effort were terminated. Terminating the process, however, may not be politically viable because of the expectations of the conservation districts and cities that the process will eventually be completed. Postponing the process would result in the loss of 2.00 FTE when the draft EIS is finished at 1993 calendar year end. The \$135,000 biennial appropriation for the final EIS work, printing, mailing notices, and holding a contested case hearing will be saved. The statutory date for completion of this basin will need to be changed to June 30, 1997, or be deleted

pending future executive and legislative consideration. This action will reflect a state special revenue reduction of \$172,695 in FY94 and \$75,390 in FY95, which will be used to offset \$126,445 in FY94 and \$75,390 in FY95 of general fund supported activities within the division. The \$46,250 of state special revenue received from the Department of Fish, Wildlife and Parks for this project will be returned.

(53,425) (3,425)

- Elimination of the Clean Coal Program**

It is proposed that the Clean Coal Program within the Conservation/Resource Development Division be eliminated, and the appropriated RIT funds be used to offset general fund in the Water Resource Division. This would be a funding switch of \$53,425 in FY94 and \$3,425 in FY95.

ENERGY DIVISION

5706-26

Budget Item	FY94 Appropriated	FY94 Recommended	Difference	FY95 Appropriated	FY95 Recommended	Difference
FTE	37.00	36.00	(1.00)	37.00	36.00	(1.00)
Personal Services	1,307,289	1,279,095	(28,194)	1,327,880	1,299,686	(28,194)
Operating Expenses	1,726,009	1,727,953	1,944	1,295,780	1,297,724	1,944
Equipment	12,991	12,991	0	13,108	13,108	0
Grants	710,000	710,000	0	110,000	110,000	0
Debt Service	6,485	6,485	0	6,485	6,485	0
Total Costs	3,762,774	3,736,524	(26,250)	2,753,253	2,727,003	(26,250)
General Fund	549,998	523,748	(26,250)	535,635	509,385	(26,250)
State Special	1,222,526	1,222,526	0	1,211,962	1,211,962	0
Federal Special	1,592,681	1,592,681	0	1,005,656	1,005,656	0
Expendable Trust	397,569	397,569	0	0	0	0
Total Funding	3,762,774	3,736,524	(26,250)	2,753,253	2,727,003	(26,250)

ITEM

FY94 **FY95**

- Eliminate Consumer Info & Central Business Activities**

The division will eliminate an Energy Education Specialist position # 42030. The staff person was performing work under the U. S. Department of Energy's Energy Extension Service grant. The grant plan will be amended to drop the Consumer Information and Central Business District program measures and will add Energy Emergency Preparedness which was previously supported with general fund. The state's capacity to anticipate and respond to an energy emergency is a higher priority than to maintain the services provided by the program measures described above.

(26,250) (26,250)

Department of Agriculture

AG & BIO SCIENCES DIVISION

6201-30

Budget Item	FY94 Appropriated	FY94 Recommended	Difference	FY95 Appropriated	FY95 Recommended	Difference
FTE	38.00	38.00	0.00	36.67	36.67	0.00
Personal Services	1,199,941	1,199,941	0	1,186,942	1,186,942	0
Operating Expenses	699,256	645,910	(53,346)	661,162	614,299	(46,863)
Equipment	153,678	153,678	0	153,205	153,205	0
Grants	2,229,807	2,229,807	0	1,375,680	1,375,680	0
Total Costs	4,282,682	4,229,336	(53,346)	3,376,989	3,330,126	(46,863)
General Fund	54,764	1,418	(53,346)	62,780	15,917	(46,863)
State Special	3,709,050	3,709,050	0	2,866,080	2,866,080	0
Federal Special	518,868	518,868	0	448,129	448,129	0
Total Funding	4,282,682	4,229,336	(53,346)	3,376,989	3,330,126	(46,863)

ITEM

- **Pesticide Program Reductions**

The reduction in general fund requires reallocation of state special pesticide funds eliminating the pesticide retailer/homeowners, pesticide and pest education program in FY94 and reducing it to below half in FY95. This program, conducted by contract with the Extension Service and budgeted at \$20,000 per year, provides education on proper use of pesticides around homes, yards, and gardens. It also provides information on alternatives to pesticides, pest identification and control through integrated pest management techniques.

The vertebrate pest program activities will be reduced by decreasing the number of field trials and assessments on new rodenticides or new uses of existing rodenticides. Traditionally the program conducted 30 to 50 demonstrations for farmers and ranchers per year on proper uses, timing and application of rodenticide alternatives. These would be reduced to 15 to 25 demonstrations per year.

Basic operational costs of the agricultural chemical groundwater program will also be reallocated within the state special revenue fund due to the reduction in the general fund.

Total general fund reductions will be \$100,209 for the biennium.

ITEM	FY94	FY95
● Pesticide Program Reductions	(53,346)	(46,863)

Department of Commerce

ECONOMIC DEVELOPMENT

6501-51

Budget Item	FY94 Appropriated	FY94 Recommended	Difference	FY95 Appropriated	FY95 Recommended	Difference
FTE	19.00	18.00	(1.00)	19.00	18.00	(1.00)
Personal Services	673,631	616,609	(57,022)	687,247	630,225	(57,022)
Operating Expenses	787,995	735,017	(52,978)	776,650	723,672	(52,978)
Equipment	17,783	17,783	0	17,783	17,783	0
Grants	2,218,037	2,218,037	0	2,158,037	2,158,037	0
Transfers	0	0	0	0	0	0
Total Costs	3,697,446	3,587,446	(110,000)	3,639,717	3,529,717	(110,000)
General Fund	636,446	526,446	(110,000)	643,751	533,751	(110,000)
State Special	581,835	581,835	0	513,711	513,711	0
Federal Special	2,479,165	2,479,165	0	2,482,255	2,482,255	0
Non-expendable Trust	0	0	0	0	0	0
Total Funding	3,697,446	3,587,446	(110,000)	3,639,717	3,529,717	(110,000)

ITEM	FY94	FY95
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- **Economic Development Division Reorganization** (110,000) (110,000)
 Through reorganization, the Economic Development Division (formerly the Business Development Division) is taking on a new economic development focus and will be managed directly by the department's director and deputy director. International and domestic trade office activities will continue through an international affairs coordinator and newly-created regional development officers. The Canadian and Tokyo trade offices have been closed. Kumamoto and Taipei will remain open as long as the offices are effective, and if Growth Through Agriculture grants and accommodation tax funds are available to support the program. General fund savings will be \$110,000 each year of the biennium and 1.00 FTE has been eliminated.

LOCAL GOVT AUDIT & SYSTEMS BUR

6501-62

Budget Item	FY94 Appropriated	FY94 Recommended	Difference	FY95 Appropriated	FY95 Recommended	Difference
FTE	29.00	29.00	0.00	29.00	3.50	(25.50)
Personal Services	946,831	946,831	0	963,411	163,381	(800,030)
Operating Expenses	335,800	335,800	0	346,231	147,414	(198,817)
Equipment	9,321	9,321	0	9,420	0	(9,420)
Transfers	150,620	150,620	0	151,140	146,068	(5,072)
Total Costs	1,442,572	1,442,572	0	1,470,202	456,863	(1,013,339)
General Fund	144,918	144,918	0	146,068	146,068	0
Proprietary Fund	1,297,654	1,297,654	0	1,324,134	310,795	(1,013,339)
Total Funding	1,442,572	1,442,572	0	1,470,202	456,863	(1,013,339)

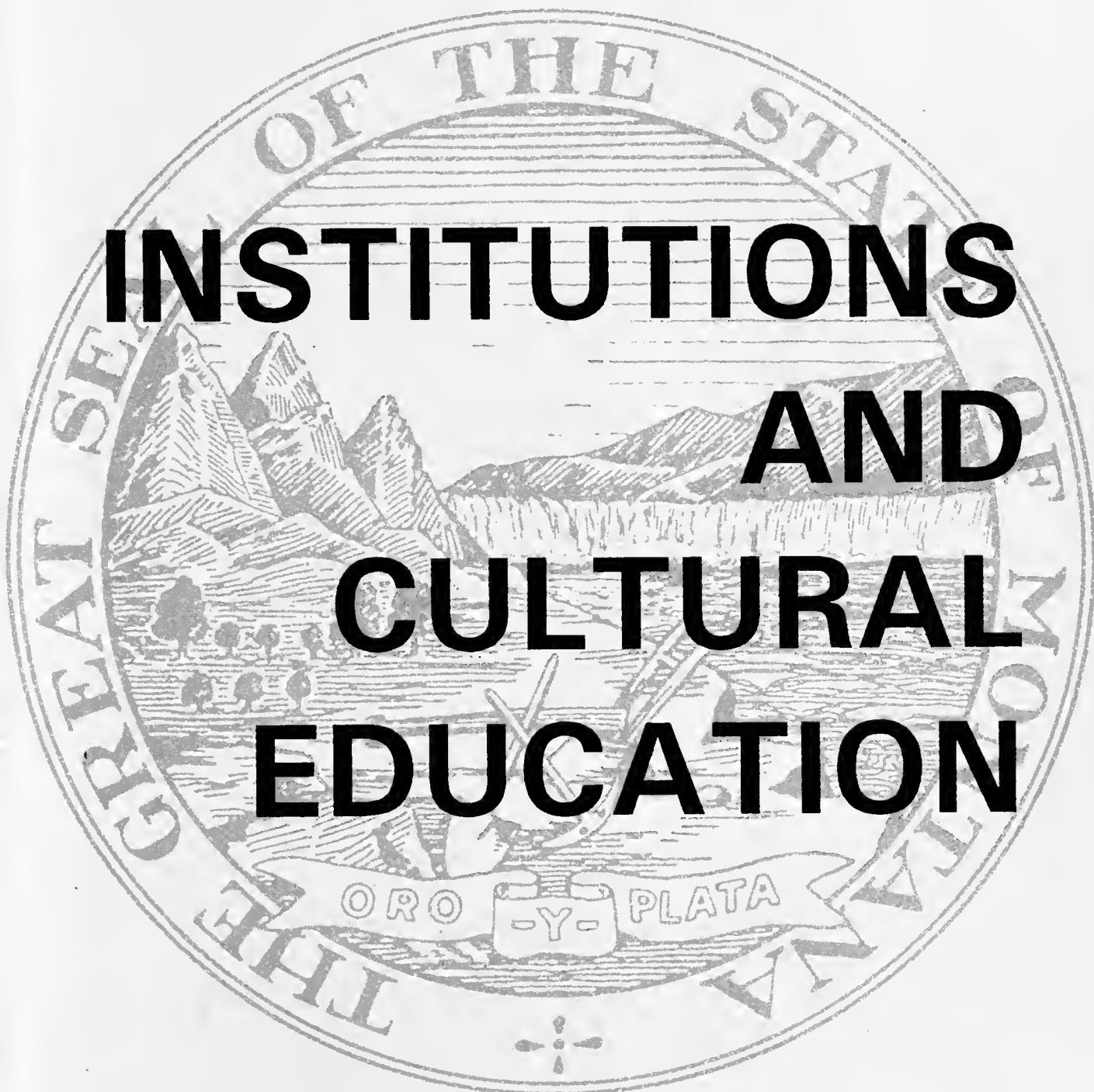
ITEM

- **Local Government Services - Audit and Systems**

It is being proposed that effective July 1, 1994, the audit and audit review functions of the Local Government Services program be transferred to the Office of the Legislative Auditor (OLA). There are transferred 17.00 FTE and operating expenses supported with \$744,416 of proprietary funds. It is anticipated that, with the transfer of the audit and audit review functions to OLA and with an increase in the number of local government audits contracted to private CPA firms, there could be a reduction of 8.50 FTE and \$268,923 of proprietary account authority.

The accounting and management systems functions would remain with the Department of Commerce with a staffing level of 3.50 FTE. The systems function has responsibility for the uniform budgeting, accounting, and reporting systems used by local governments, school districts, and other special jurisdictions.

INSTITUTIONS AND CULTURAL EDUCATION





INSTITUTIONS AND CULTURAL EDUCATION

OVERVIEW

Agency	FY92	Actual FY93	FY94	Appropriated FY95	FY94	Recommended FY95	Differences FY95	Biennial % Change		
								95 Rec/ 93 Actual	95 Approp	95 Rec/ 93 Actual
5114 Montana Arts Council										
General Fund	133,560	17,620	129,523	125,863	117,423	120,340	(12,100)	(6,523)	57.3%	-6.9%
State Special	664,891	1,093,003	321,934	215,788	321,934	215,788	0	0	-69.4%	0.0%
Federal Revenue	572,198	640,256	951,523	265,175	951,523	255,175	0	0	-0.5%	0.0%
Proprietary/Other *	0	0	0	0	330	658	330	658	NA	NA
Total Funds	1,370,649	1,750,880	1,402,980	596,826	1,391,210	591,961	(11,770)	(4,865)	-36.5%	-0.8%
5115 Library Commission										
General Fund	1,071,150	1,092,615	1,292,383	1,030,521	1,271,412	924,817	(20,971)	(105,704)	1.5%	-5.5%
State Special	650,115	653,029	611,183	501,833	611,049	501,592	(134)	(241)	-14.6%	0.0%
Federal Revenue	775,226	715,288	2,356,727	401,286	2,356,727	401,286	0	0	85.0%	0.0%
Proprietary/Other *	0	0	0	0	390	776	390	776	NA	NA
Total Funds	2,496,491	2,460,933	4,260,293	1,933,640	4,239,578	1,828,471	(20,715)	(105,169)	22.4%	-2.0%
5117 Historical Society										
General Fund	1,272,410	1,251,475	1,359,318	1,354,725	1,316,274	1,260,717	(43,044)	(94,008)	2.1%	-5.0%
State Special	127,851	263,756	101,753	102,726	101,753	102,726	0	0	-47.8%	0.0%
Federal Revenue	453,137	616,450	714,365	707,380	714,365	707,380	0	0	46.6%	0.0%
Proprietary/Other *	532,842	581,273	582,641	590,817	583,321	592,216	680	1,399	5.5%	0.2%
Total Funds	2,386,240	2,612,954	2,758,077	2,755,648	2,715,713	2,663,039	(42,364)	(92,609)	7.6%	-2.4%
6401 Corrections and Human Services										
General Fund	73,565,878	79,086,093	76,624,654	78,376,846	76,380,530	78,263,033	(244,124)	(113,813)	1.3%	-0.2%
State Special	5,961,183	5,610,949	6,210,706	6,785,220	6,210,553	6,784,944	(153)	(276)	12.3%	0.0%
Federal Revenue	6,266,150	5,828,884	6,104,793	6,044,230	6,104,793	6,044,230	0	0	0.5%	0.0%
Proprietary/Other *	3,223,952	3,467,723	3,779,435	4,205,000	3,784,874	4,215,816	5,439	10,816	18.7%	0.2%
Total Funds	89,067,163	93,991,649	92,719,588	95,411,296	92,480,750	95,308,023	(238,838)	(103,273)	2.6%	-0.2%

* May include SFCAF authority that has not been allocated to the various funds of the agency.

Montana Arts Council

PROMOTION OF THE ARTS				5114-01		
Budget Item	FY94 Appropriated	FY94 Recommended	Difference	FY95 Appropriated	FY95 Recommended	Difference
FTE	9.97	9.97	0.00	9.97	9.97	0.00
Personal Services	297,440	297,440	0	300,450	300,450	0
Operating Expenses	444,839	434,489	(10,350)	278,506	274,733	(3,773)
Equipment	1,520	1,520	0	0	0	0
Grants	659,181	657,431	(1,750)	17,870	16,120	(1,750)
Total Costs	1,402,980	1,390,880	(12,100)	596,826	591,303	(5,523)
General Fund	129,523	117,423	(12,100)	125,863	120,340	(5,523)
State Special	321,934	321,934	0	215,788	215,788	0
Federal Special	951,523	951,523	0	255,175	255,175	0
Total Funding	1,402,980	1,390,880	(12,100)	596,826	591,303	(5,523)
ITEM				FY94	FY95	
• Reduce Japanese Translator Contract When Kumamoto artists came to Montana for an art exchange, this translator was used. An exchange will continue in 1995 and the Montana Arts Council (MAC) is waiting for an invitation from Kumamoto to know if they will be coming in 1994. The translator will not be hired in either year due to this reduction. Federal special revenue will replace general fund in the operating budget of \$2,500 in FY94 and \$2,123 in FY95.				(2,500)	(2,123)	
• Restructure Artists in Schools A temporary secretary for the artists in schools program is budgeted for the 1995 biennium. Too many comp time hours were accumulated and so a restructuring of the position and program will free up federal funding for artists in schools to provide this service. Federal dollars which would have funded this contract will replace general fund in the operating budget of \$2,500 each year of the biennium.				(2,500)	(2,500)	
• Eliminate Professional Development Training The MAC was budgeted in the 1995 biennium for professional development classes for staff. This reduction eliminates all training. Federal dollars intended to fund the training will replace general fund in the operating budget of \$2,000 each year of the biennium.				(2,000)	(2,000)	
• Reduce Underwriting This proposal would reduce \$1,750 general fund each year of the 1995 biennium used for underwriting assistance to rural communities that want to sponsor an artistic event but may not have money to do so. The action restores rural assistance to the 1993 biennium level.				(1,750)	(1,750)	
• Add Honorarium for Panelists In the grant-making process, panelists are used to make recommendations in grants selection. Of the seven or eight panels used, only out-of-state panelists are paid. The unbudgeted general fund expense <u>added</u> to the budget for in-state panelists would be \$1,650 in FY94 and \$2,850 in FY95.				1,650	2,850	

- **Reduce Governor's Arts Awards in FY94** (5,000) 0

The MAC Governor's Awards for the Arts are presented annually. In even-numbered years, one artist is selected to be honored for lifetime achievement. Several recipients in various categories, including service to the arts, are selected in odd-numbered years. The recipients are honored at an annual awards ceremony. The MAC will try to obtain private sponsorship to cover some of the expenses. This reduction in federal special revenue will replace \$5,000 general fund in general operations in FY94.

Montana State Library

STATE LIBRARY OPERATIONS

5115-01

Budget Item	FY94 Appropriated	FY94 Recommended	Difference	FY95 Appropriated	FY95 Recommended	Difference
FTE	24.50	24.50	0.00	24.50	24.50	0.00
Personal Services	721,535	712,535	(9,000)	727,312	709,312	(18,000)
Operating Expenses	368,214	368,214	0	350,629	350,629	0
Equipment	161,955	155,955	(6,000)	120,823	108,823	(12,000)
Capital Outlay	0	0	0	0	0	0
Grants	1,789,054	1,784,054	(5,000)	370,567	296,610	(73,957)
Debt Service	1,752	1,752	0	876	876	0
Total Costs	3,042,510	3,022,510	(20,000)	1,570,207	1,466,250	(103,957)
General Fund	1,292,383	1,272,383	(20,000)	1,030,521	926,564	(103,957)
State Special	216,000	216,000	0	161,000	161,000	0
Federal Special	1,534,127	1,534,127	0	378,686	378,686	0
Total Funding	3,042,510	3,022,510	(20,000)	1,570,207	1,466,250	(103,957)

ITEM

- **Additional Vacancy Savings** (9,000) (18,000)

An additional 2 percent personal services savings would be realized due to unanticipated positions vacated and potential temporary leave without pay during the second year of the biennium. The temporary reduction would be \$9,000 in FY94 and \$18,000 in FY95.
- **Restructure Administration of State Aid** (5,000) (10,000)

This proposal would restructure the administration of state aid by personnel within the state library for a general fund savings of \$5,000 in FY94 and \$10,000 in FY95.
- **Reduce State Aid to the 1993 Biennium Level** 0 (63,957)

The 1993 Legislature approved an additional biennial general fund appropriation of \$63,957 over and above the Executive Budget recommendation for grants to public libraries. This appropriation restored the per capita/per square mile grants to the \$258,621 level appropriated by the 1991 Legislature before the first special session cuts. From the 1991 biennium to the 1993 biennium, there was a 46 percent increase in total state aid appropriated, from \$566,000 to \$824,600, but the special

session reduced total aid to \$760,664. This proposal would maintain that level of aid for a general fund savings of \$63,957.

- Eliminate Institution Book Budget** (6,000) (12,000)
 The library is budgeted for \$12,000 general fund each year for institutional library books. Savings are for six months of FY94 and all of FY95. The Department of Corrections and Human Services would be responsible for the book budget at each of its institutions of \$5,100 in FY94 and \$10,200 in FY95. The Department of Family Services would be responsible for \$900 in FY94 and \$1,800 in FY95. This recommendation would be a reduction in the library budget and an unbudgeted expense for DCHS and DFS.

Montana Historical Society

ADMINISTRATION PROGRAM

5117-01

Budget Item	FY94 Appropriated	FY94 Recommended	Difference	FY95 Appropriated	FY95 Recommended	Difference
FTE	13.50	13.25	(0.25)	13.50	13.00	(0.50)
Personal Services	381,828	374,634	(7,194)	388,750	371,575	(17,175)
Operating Expenses	318,845	318,845	0	305,734	305,734	0
Total Costs	700,673	693,479	(7,194)	694,484	677,309	(17,175)
General Fund	575,481	568,287	(7,194)	567,570	550,395	(17,175)
State Special	79,990	79,990	0	80,748	80,748	0
Federal Special	45,202	45,202	0	46,166	46,166	0
Total Funding	700,673	693,479	(7,194)	694,484	677,309	(17,175)

ITEM	FY94	FY95
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- Eliminate 0.50 FTE Accountant** (7,194) (17,175)
 This proposal would eliminate 0.50 FTE grade 14 accountant position which was created from a portion of the deputy director position during the regular legislative session. General fund savings would be \$7,194 in FY94 and \$17,175 in FY95.

MUSEUM PROGRAM

5117-03

Budget Item	FY94 Appropriated	FY94 Recommended	Difference	FY95 Appropriated	FY95 Recommended	Difference
FTE	6.50	6.00	(0.50)	6.50	5.50	(1.00)
Personal Services	183,898	169,263	(14,635)	187,136	152,491	(34,645)
Operating Expenses	50,399	50,399	0	50,555	50,555	0
Equipment	1,130	1,130	0	0	0	0
Total Costs	235,427	220,792	(14,635)	237,691	203,046	(34,645)
General Fund	216,491	201,856	(14,635)	218,748	184,103	(34,645)
State Special	14,821	14,821	0	14,821	14,821	0
Federal Special	0	0	0	0	0	0
Proprietary Fund	4,115	4,115	0	4,122	4,122	0
Total Funding	235,427	220,792	(14,635)	237,691	203,046	(34,645)

ITEM	FY94	FY95
● Eliminate Museum Preparator Elimination of the museum preparator grade 10 (craft/union) position would save general fund of \$14,635 in FY94 and \$34,645 in FY95. The preparator is responsible for the society's rotating and travelling exhibits program, e.g., the Cameron Photographs. Only minor maintenance of existing exhibits would continue in the future.	(14,635)	(34,645)

HISTORICAL SITES PRESERVATION

5117-06

Budget Item	FY94 Appropriated	FY94 Recommended	Difference	FY95 Appropriated	FY95 Recommended	Difference
FTE	7.50	7.50	0.00	7.50	7.50	0.00
Personal Services	251,576	231,576	(20,000)	255,845	215,845	(40,000)
Operating Expenses	125,210	125,210	0	114,271	114,271	0
Equipment	19,942	19,942	0	19,942	19,942	0
Grants	350,000	350,000	0	350,000	350,000	0
Total Costs	746,728	726,728	(20,000)	740,058	700,058	(40,000)
General Fund	77,565	57,565	(20,000)	78,844	38,844	(40,000)
State Special	0	0	0	0	0	0
Federal Special	669,163	669,163	0	661,214	661,214	0
Total Funding	746,728	726,728	(20,000)	740,058	700,058	(40,000)
ITEM				FY94	FY95	
● Eliminate Rehabilitation and Survey Grants Programs A general fund savings of \$20,000 in FY94 and \$40,000 in FY95 would occur if the state-supported rehabilitation of historic buildings and surveys of historical sites were eliminated. Federal dollars from grant expenditures would replace general fund personal services to accomplish all of the federally-mandated activities, e.g., review of nominations to the National Register of Historic Places, review and comment on federal, state and local undertakings that may impact historic and prehistoric resources, and response to public requests for tax act certification for rehabilitation of historic commercial properties.				(20,000)	(40,000)	

Department of Corrections & Human Services

CORRECTIONS SYSTEMS

6401-20

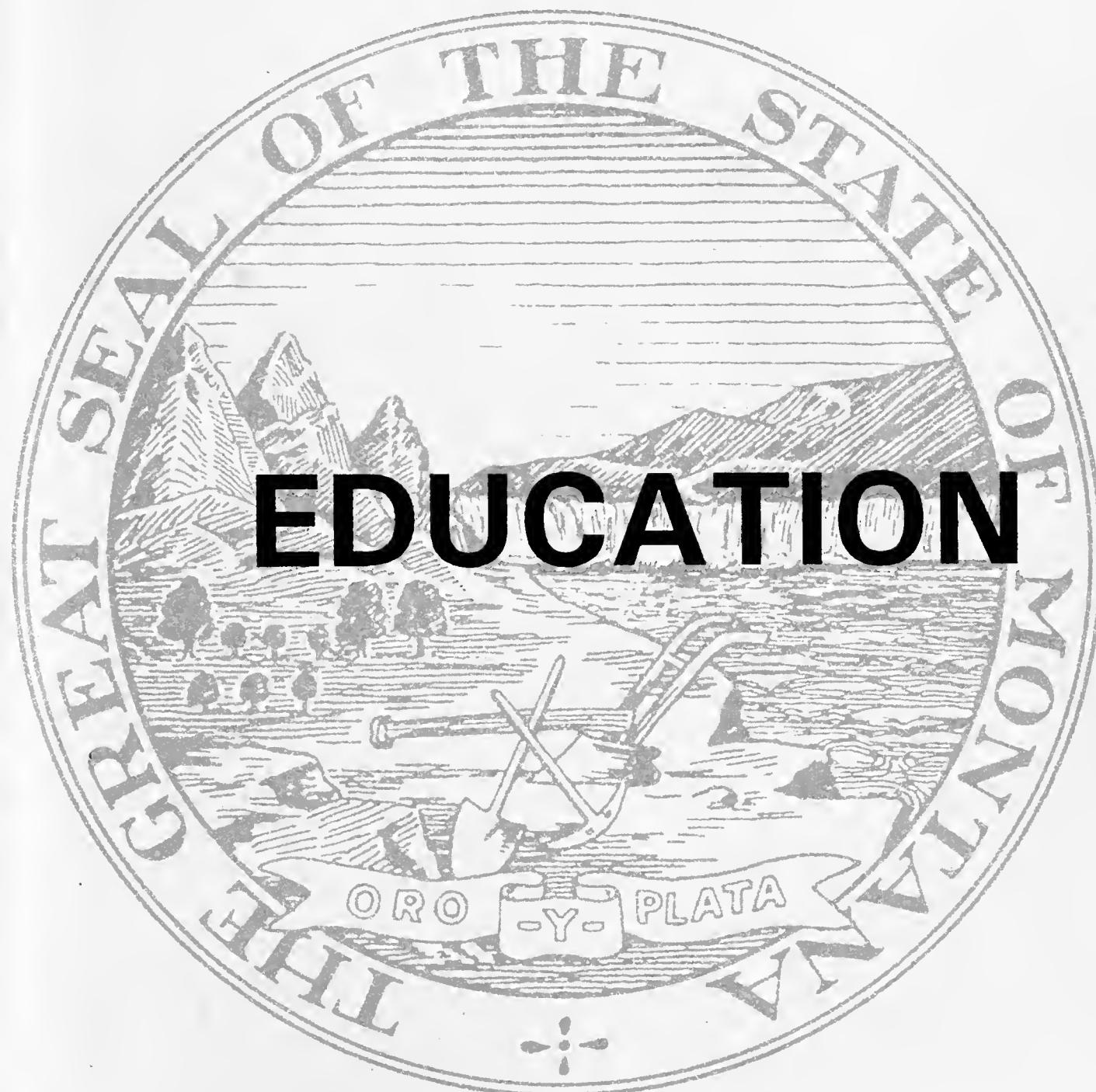
Budget Item	FY94 Appropriated	FY94 Recommended	Difference	FY95 Appropriated	FY95 Recommended	Difference
FTE	594.96	594.96	0.00	584.96	584.96	0.00
Personal Services	19,534,153	19,534,153	0	19,957,448	19,957,448	0
Operating Expenses	12,328,297	12,085,229	(243,068)	12,362,403	12,250,435	(111,968)
Equipment	650,010	650,010	0	571,407	571,407	0
Capital Outlay	90,000	90,000	0	70,000	70,000	0
Grants	23,679	23,679	0	23,679	23,679	0
Transfers	0	0	0	60,640	60,640	0
Debt Service	4,568	4,568	0	4,568	4,568	0
Total Costs	32,630,707	32,387,639	(243,068)	33,050,145	32,938,177	(111,968)
General Fund	27,567,953	27,324,885	(243,068)	27,480,091	27,368,123	(111,968)
State Special	846,556	846,556	0	921,488	921,488	0
Federal Special	461,443	461,443	0	465,879	465,879	0
Proprietary Fund	3,754,755	3,754,755	0	4,182,687	4,182,687	0
Total Funding	32,630,707	32,387,639	(243,068)	33,050,145	32,938,177	(111,968)

ITEM

• Single License Plates	FY94
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(243,068)	FY95
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This proposal would affirm that a single license plate is sufficient to be displayed on the rear of a motor vehicle without a general reissue of plates effective January 1, 1994. Approximate general fund savings for aluminum and scotchlite would be \$355,036 for the 1995 biennium. In addition, the postage savings at the Department of Justice would be \$4,400 general fund for FY94 and \$8,800 for FY95. At least nineteen other states require only one license plate.



EDUCATION

OVERVIEW

Agency	FY92	Actual FY93	FY94	Appropriated FY95	FY94	Recommended FY95	FY95	Differences FY95	Biennial % Change		
									95 Rec/ 93 Actual	95 Rec/ 93 Actual	95 Approp
3501 Office of Public Instruction											
General Fund	59,003,597	46,444,891	49,542,305	42,409,624	49,475,463	42,473,930	(66,842)	64,306	-12.8%	0.0%	
State Special	367,920,072	406,842,422	4,705,170	4,343,532	4,705,170	4,232,912	0	(110,620)	-98.8%	-1.2%	
Federal Revenue	7,966,548	8,683,400	16,703,502	4,767,166	16,703,502	4,767,166	0	0	29.0%	0.0%	
Proprietary/Other *	978,174	950,672	1,102,186	1,098,682	1,102,983	1,100,357	797	1,675	14.2%	0.1%	
Total Funds	435,868,391	462,921,386	72,053,163	52,619,004	71,987,118	52,574,365	(66,045)	(44,639)	-86.1%	-0.1%	
5101 Board of Public Education											
General Fund	116,778	133,620	107,981	106,809	107,981	106,809	0	0	-14.2%	0.0%	
State Special	83,583	154,522	85,594	84,412	85,594	84,412	0	0	-28.6%	0.0%	
Proprietary/Other *	0	0	0	0	0	0	103	205	NA	NA	
Total Funds	200,361	288,142	193,575	191,221	193,678	191,426	103	205	-21.2%	0.1%	
5102 Montana University System											
General Fund	118,482,719	113,695,575	114,719,535	113,695,470	114,719,430	114,719,430	(105)	(105)	-7.3%	0.0%	
State Special	418,311	2,505,842	0	0	0	0	0	0	-100.0%	NA	
Federal Revenue	7,636,086	8,435,123	9,505,065	9,648,702	9,505,065	9,648,702	0	0	19.2%	0.0%	
Proprietary/Other *	13,079,072	14,787,473	18,121,090	19,995,969	18,122,637	19,999,003	1,547	3,034	36.8%	0.0%	
Total Funds	149,101,658	144,211,157	141,321,730	144,364,206	141,323,172	144,367,135	1,442	2,929	-2.6%	0.0%	
5113 School for the Deaf and Blind											
General Fund	2,680,456	2,761,432	2,536,191	2,584,556	2,532,591	2,571,356	(3,600)	(13,200)	-6.2%	-0.3%	
State Special	190,000	225,916	454,614	466,232	458,214	479,432	0	13,200	125.4%	1.8%	
Federal Revenue	169,925	116,820	107,970	110,059	107,970	110,059	0	0	-24.0%	0.0%	
Total Funds	3,040,381	3,104,168	3,098,775	3,160,847	3,098,775	3,160,847	0	0	1.9%	0.0%	
5116 Council on Vocational Education											
Federal Revenue	149,377	152,094	165,988	167,890	165,988	167,890	0	0	10.7%	0.0%	

* May include SFCAP authority that has not been allocated to the various funds of the agency.

Office of Public Instruction

Budget Item	OPI ADMINISTRATION			3501-06		
	FY94 Appropriated	FY94 Recommended	Difference	FY95 Appropriated	FY95 Recommended	Difference
FTE	141.23	138.73	(2.50)	141.23	139.98	(1.25)
Personal Services	4,850,757	4,786,821	(63,936)	4,931,258	4,899,290	(31,968)
Operating Expenses	4,440,802	4,438,802	(2,000)	4,238,058	4,225,342	(12,716)
Equipment	177,639	177,639	0	183,984	183,984	0
Local Assistance	16,078	16,078	0	16,078	16,078	0
Grants	69,888	69,888	0	69,888	69,888	0
Transfers	904,560	904,560	0	28,028	28,028	0
Total Costs	10,459,724	10,393,788	(65,936)	9,467,294	9,422,610	(44,684)
General Fund	4,071,157	4,005,221	(65,936)	3,172,371	3,238,307	65,936
State Special	797,004	797,004	0	429,075	318,455	(110,620)
Federal Special	4,489,377	4,489,377	0	4,767,166	4,767,166	0
Proprietary Fund	1,102,186	1,102,186	0	1,098,682	1,098,682	0
Total Funding	10,459,724	10,393,788	(65,936)	9,467,294	9,422,610	(44,684)

ITEM

	FY94	FY95
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- **Eliminate State Funding of Driver's Education/Deposit Revenue and Fund Balance to General Fund**

The driver's education account is allocated 25 percent of highway patrol fines and 17.5 percent of driver's license fees and motorcycle endorsements which are estimated to total \$1.6 million in FY95. This recommendation allocates these revenues to the general fund beginning in FY95 and thereafter. Money from motorcycle registration fees and charges for motorcycle training courses would continue to be deposited in the account.

State reimbursements to district driver's education programs would be eliminated. In FY95 the state reimbursed approximately \$117 per driver's education student to districts.

The Office of Public Instruction will allocate \$65,936 in FY94 and \$33,968 in FY95 of general fund savings from the elimination of 2.50 FTE from other programs to offset \$99,904 of the estimated \$325,000 reduction in state special revenues for driver's education administration in FY95. The FTE reductions are adjusted to 1.25 FTE in FY95.

DISTRIBUTION TO PUBLIC SCHOOLS

3501-09

Budget Item	FY94	FY94	Difference	FY95	FY95	Difference
	Appropriated	Recommended		Appropriated	Recommended	
FTE	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenses	0	0	0	0	0	0
Local Assistance	61,593,439	61,593,439	0	43,151,710	43,151,710	0
Grants	0	0	0	0	0	0
Transfers	0	0	0	0	0	0
Total Costs	61,593,439	61,593,439	0	43,151,710	43,151,710	0
General Fund	45,471,148	45,471,148	0	39,237,253	39,237,253	0
State Special	3,908,166	3,908,166	0	3,914,457	3,914,457	0
Federal Special	12,214,125	12,214,125	0	0	0	0
Total Funding	61,593,439	61,593,439	0	43,151,710	43,151,710	0

ITEM

- **Eliminate State Funding of Driver's Education/Deposit Revenue and Fund Balance to General Fund**

The driver's education account is allocated 25 percent of highway patrol fines and 17.5 percent of driver's license fees and motorcycle endorsements which are estimated to total \$1.6 million in FY95. This recommendation allocates these revenues to the general fund beginning in FY95 and thereafter, as shown on the balance sheet. Money from motorcycle registration fees and charges for motorcycle training courses would continue to be deposited in the account. State reimbursements to district driver's education programs would be eliminated.

Commissioner of Higher Education

THE MONTANA UNIVERSITY SYSTEM

5102-00

Budget Item	FY94 Appropriated	FY94 Recommended	Difference	FY95 Appropriated	FY95 Recommended	Difference
Vo-Techs						
Billings	2,021,658	2,021,658	0	2,028,361	2,028,361	0
Butte	1,709,286	1,709,286	0	1,701,855	1,701,855	0
Great Falls	2,552,708	2,552,708	0	2,559,794	2,559,794	0
Helena	2,657,006	2,657,006	0	2,660,802	2,660,802	0
Missoula	2,876,447	2,876,447	0	2,887,746	2,887,746	0
Total Vo-Techs	11,817,105	11,817,105	0	11,838,558	11,838,558	0
Six Units						
MSU	55,674,165	55,674,165	0	56,341,718	56,341,718	0
UM	52,101,702	52,101,702	0	52,674,446	52,674,446	0
EMC	16,425,316	16,425,316	0	16,584,465	16,584,465	0
NMC	8,943,740	8,943,740	0	9,018,810	9,018,810	0
WMCUM	5,296,325	5,296,325	0	5,336,942	5,336,942	0
MCMST	11,186,779	11,186,779	0	11,298,154	11,298,154	0
Reduce Athletics	0	0	0	0	(580,000)	(580,000)
Incr. Faculty Workloads	0	0	0	0	(1,425,000)	(1,425,000)
No Excess Credit Funding	0	0	0	0	(320,000)	(320,000)
Total Six Units	149,628,027	149,628,027	0	151,254,535	148,929,535	(2,325,000)
Ag Experiment Station	10,077,313	10,077,313	0	10,245,857	10,245,857	0
Coop Extension Service	4,976,218	4,976,218	0	5,041,025	5,041,025	0
Forestry & Cons Station	706,350	706,350	0	714,193	714,193	0
Fire Srv Training School	252,772	252,772	0	235,005	235,005	0
Bureau of Mines	2,019,379	2,019,379	(100,000)	2,020,678	2,020,678	0
Comm of Higher Ed	38,392,122	38,392,122	0	40,170,104	40,170,104	0
Total Higher Ed	217,869,286	217,769,286	(100,000)	221,519,955	219,194,955	(2,325,000)
Funding						
General Fund	113,691,573	109,129,573	(4,562,000)	114,717,747	107,379,747	(7,338,000)
Tuition	56,650,556	56,650,556	0	57,191,535	60,691,535	3,500,000
Millage	13,410,000	17,972,000	4,562,000	13,475,000	14,988,000	1,513,000
State Special (RIT)	666,000	566,000	(100,000)	666,000	666,000	0
Federal Special	13,572,194	13,572,194	0	13,715,831	13,715,831	0
Other	1,757,873	1,757,873	0	1,757,873	1,757,873	0
Proprietary	18,121,090	18,121,090	0	19,995,969	19,995,969	0
Total Funding	217,869,286	217,769,286	(100,000)	221,519,955	219,194,955	(2,325,000)

The Board of Regents and the Commissioner of Higher Education have requested the opportunity to distribute any reductions among the various units of the system. The suggested areas of reduction listed below are areas that OBPP believes are worthy of consideration only. We certainly acknowledge the constitutional authority of the Board to manage their budget. We offer these suggestions as alternatives to increases in in-state tuition.

ITEM	FY94	FY95
• Capture Additional Six-Mill Levy Revenues and Fund Balance	(4,562,000)	(1,513,000)
In the regular session the legislature appropriated the estimated revenue from the six-mill property tax levy for the university system. These revenues were estimated to be \$12,518,000 in FY94 and \$12,567,000 in FY95. Subsequently, the revised estimate of six-mill revenues has increased to \$13,868,000 and \$14,080,000 in FY94 and FY95, respectively. The revision is based on the increased valuation due to reappraisal and higher-than-anticipated revenues in both FY92 and FY93 which will		

continue in the 1995 biennium. Revenues averaged \$13.85 million for FY92 and FY93. In addition, the six-mill levy account had a fund balance of \$3.2 million at the end of FY93 which is available. The net effect of appropriating the additional six-mill levy revenue and accumulated fund balance is to save general fund of \$4.562 million in FY94 and \$1.513 million in FY95.

- **Eliminate State Funding for Credits Taken in Excess of Those Necessary to Graduate** 0 (320,000)
The regents recently passed a rule, scheduled to take effect in three years, which limits state support to the first 170 credits taken from the system. This rule affects few students. It is recommended that the proposal be modified to give state support to a maximum of 20 semester credits over the number required to graduate for a four-year degree and ten credits over the number required to graduate from a two-year program, effective in FY95. Although substantial savings are expected, possibly reaching \$4 million per year through increased fees paid by those who linger at school or through reduced enrollment as students graduate more quickly, it will take some time for this provision to become fully implemented. Therefore, the budget assumes only a \$320,000 savings from this proposal in FY95.

- **Reduce State Funding for University/College Athletics** 0 (580,000)
In accordance with the Commissioner of Higher Education's proposal to decrease state support of athletics at the universities and colleges by 10 percent.

- **Increase Non-Resident Tuition** 0 (3,500,000)
Non-resident tuition and fees in Montana, when compared to many other states and are less than many western states. The following tuition and fee rates were effective for (academic year) AY93:

California State	\$ 8,836
University of California	\$10,744
Colorado State	\$ 9,502
Colorado School of Mines	\$11,204
Colorado other schools	\$ 5,932
Idaho Universities	\$ 4,048
MSU, UM and Tech	\$ 5,590
Montana colleges	\$ 5,134
University of Nevada	\$ 5,700
U. of ND and ND State	\$ 5,208
Other ND schools	\$ 4,270
Oregon Universities	\$ 7,271
Oregon Other schools	\$ 5,273
SD universities	\$ 3,774
SD other schools	\$ 3,161
WA universities (UW & WSU)	\$ 6,345
WA other schools	\$ 6,297
University of WY	\$ 4,502

Increasing non-resident tuition and fees from the FY94 rate of \$5,900 to approximately \$7,000 for the universities and from \$5,450 in FY94 to \$5,500 in FY95 for the colleges would raise an additional \$3.5 million in FY95.

- **Increase Faculty Course Loads** 0 (1,425,000)
Faculty work is complex since it includes many types of work beyond the classroom. Policy standards on course loads are published by Council of the American Association of University Professors (AAUP) and by accreditation agencies. The maximum

load recommended by both groups is four courses per semester. The AAUP goes further in recommending an ideal course load for professors with significant research requirements of three undergraduate courses per term or two graduate courses per term.

In recent years, New York, Mississippi, Virginia, Arizona and other states have looked at this policy issue. Some states currently have faculty course load policies and many more are considering them. Ohio recently passed legislation requiring a state policy focus on teaching to be set by the Ohio Board of Regents by June 30, 1994, and an increase in faculty teaching by ten percent by fall term 1994. The national trend appears to be encouragement of a statewide policy on faculty workloads.

In addition, the following schools/systems have course load policies of four courses (12 credits) per term: College of Great Falls, Rocky Mountain College in Billings, and the California State University System.

The current policies in the Montana University System range from two courses in one semester and three the next to four courses per semester. It is recommended, given these tight fiscal times, that the university/college policy attempt to increase the average course load to a minimum of three courses per semester for universities and four courses (12 credit hours) per semester for colleges. It is estimated that if this policy were fully implemented it would save \$8-10 million per year. Since it is unlikely that this policy could be fully implemented in FY95, it is suggested that the university system could save about 15-20 percent of this or \$1.425 million in FY95.

- **Reduce RIT funds in Bureau of Mines** (0) (0)
The Bureau of Mines receives up to \$666,000 per year from resource indemnity tax revenues to finance their ground water characterization program. Though the program was begun in the previous biennium, it is dramatically expanded in FY94. Expenditures in the early part of the year were below the level in the proposed budget. It is estimated that savings of \$100,000 in FY94 will be available and RIT funds in the Bureau of Mines are decreased by \$100,000 for FY94. This funding is then used to offset general fund costs in the DNRC for ground water activities in the Water Resources Division.

School for the Deaf and Blind

EDUCATION

5113-04

Budget Item	FY94	FY94	Difference	FY95	FY95	Difference
	Appropriated	Recommended		Appropriated	Recommended	
FTE	41.55	41.55	0.00	41.55	41.55	0.00
Personal Services	1,511,262	1,511,262	0	1,559,947	1,559,947	0
Operating Expenses	135,145	135,145	0	137,032	137,032	0
Equipment	17,000	17,000	0	20,700	20,700	0
Total Costs	1,663,407	1,663,407	0	1,717,679	1,717,679	0
General Fund	1,134,823	1,131,223	(3,600)	1,175,388	1,162,188	(13,200)
State Special	454,614	458,214	3,600	466,232	479,432	13,200
Federal Special	73,970	73,970	0	76,059	76,059	0
Total Funding	1,663,407	1,663,407	0	1,717,679	1,717,679	0

ITEM	FY94	FY95
• Timber Revenue to I & I	(3,600)	(13,200)

- During the 1992 special session, the legislature passed HB3 which provided that revenue from state timber sales on school lands would be deposited in the school equalization account. This provision was made permanent for the schools by HB667. The recommendation extends the provision to other non-university trust lands. Timber sale revenues are proposed to be deposited to their respective interest and income accounts effective January 1, 1994. The impact on Montana School for the Deaf and Blined is additional state special revenue of \$3,600 in FY94 and \$13,200 in FY95, which reduces general fund by a like amount.



LONG-RANGE PLANNING

LONG-RANGE PLANNING

Agency	OVERVIEW			Appropriated			Recommended			Differences			Biennial % Change		
	FY92	Actual	FY93	FY94	FY95	FY94	FY95	FY94	FY95	FY94	FY95	95 Rec/	93 Actual	95 Approp	
6107 Long Range Planning															
General Fund	609,398	81,944	0	0	(2,600,000)	0	0	(2,600,000)	0	0	0	-476.1%	NA	NA	
State Special	1,284,962	1,017,582	0	0	0	0	0	0	0	0	0	-100.0%	-100.0%	-100.0%	
Federal Revenue	1,124,385	911,246	0	0	0	0	0	0	0	0	0	-100.0%	-100.0%	-100.0%	
Capital Projects	4,421,150	4,091,160	0	0	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	17.5%	144.4%	144.4%	
Proprietary/Other *	29,424	7,007	0	0	1,080	2,132	1,080	2,132	1,080	2,132	2,132	-91.2%	-54.2%	-54.2%	
Total Funds	7,469,319	6,108,939	0	0	2,401,080	5,002,132	2,401,080	5,002,132	2,401,080	5,002,132	5,002,132	-45.5%	21.2%	21.2%	

* May include SFCAP authority that has not been allocated to the various funds.

Long-Range Building Plan

Budget Item	ALL DEPARTMENTS			6107-00		
	FY94 Appropriated	FY94 Recommended	Difference	FY95 Appropriated	FY95 Recommended	Difference
FTE	0.00	0.00	0.00	0.00	0.00	0.00
Capital Outlay	36,435,364	36,435,364	0	0	0	0
Total Costs	36,435,364	36,435,364	0	0	0	0
General Fund	2,600,000	0	(2,600,000)			
State Special	19,064,965	19,064,965	0	0	0	0
Federal Special	6,002,935	6,002,935	0	0	0	0
Capital Projects	3,151,252	8,151,252	5,000,000	0	0	5,000,000
Other Revenue	5,616,212	5,616,212	0	0	0	0
Total Funding	36,435,364	38,835,364	2,400,000	0	0	5,000,000

ITEM	FY94	FY95
• Delete the \$2.6 Million General Fund Appropriation	(2,600,000)	0
1. Remove the general fund appropriated in Chapter 624, Laws of 1993.		
2. Reduce the Department of Family Services fire safety systems \$627,000 project for Pine Hills and Mountain View by \$110,000 to \$517,000 due to downsizing at the facilities.		
• \$5 Million Coal Severance Tax Per Year to Major Maintenance	0	0
1. Adopt legislation to repeal Chapter 515, Laws of 1993, and related statutes establishing the coal severance tax clean coal technology demonstration fund, clean coal loans, clean coal technology projects program and tax exemption. Montana has not been and will not be selected by the federal Department of Energy for the project.		
2. Amend Chapter 624, Laws of 1993, to add \$5 million each year for major maintenance projects on state-owned buildings to be funded with coal severance tax no longer required for clean coal technology. The first \$2.5 million would be for priority projects already authorized by the legislature, as amended during special session, and originally funded with general fund. The 1995 biennium general fund cost in lost interest earnings would be no more than \$175,000 depending on timing of project expenditures. This cost projection is included on the balance sheet.		
3. Adopt the recommended legislation to create the state building maintenance fund within the coal severance tax trust fund, for a seven-year period from FY94 through FY00, using the \$35 million balance in the clean coal technology demonstration fund. Agencies requested more than \$191 million in state funding for life and safety codes, regulatory compliance and continued operation of state buildings during the 1995 biennium. HB5 appropriated \$5.7 million and the cigarette tax will continue to be a declining revenue source for the long-range building program.		
• Authorize State Compensation Insurance Fund Remodeling	0	0
Amend Chapter 624, Laws of 1993, to add \$111,000 of other authority to enable the State Fund to remodel the basement of its facility to accommodate the 35.10 FTE added to the FY94 operating budget. This recommendation is consistent with the estimates received for the project. Suitable rental property is not available within reasonable proximity to the current facility.		

- **Adopt Three Bills Recommended by OBPP and DCHS** 0 0
 1. In order to utilize revenue from the sale of goods by the Prison Industries Program, a statutory appropriation is recommended. This not only will provide a greater incentive for cost-effectiveness in the operation of the program, but funds in the account will be an essential component of total funding for capital improvements to the industries facility.
 2. In order to stretch the men's prison construction dollars and provide an inmate work experience, a bill authorizing Montana State Prison inmates to work on construction of the dairy dorm project is recommended. A bill amending 53-1-301, MCA, and exempting only this specific project from the Department of Administration public bidding, bonding, workers' compensation, and wage laws is recommended.
 3. A waiver from the Department of Administration public bidding and bonding requirements for the security fence project is recommended. In this instance, it is believed that there is greater expertise for the installation and ongoing maintenance of this project within the prison staff than in the private sector. In addition, the prison administration believes security will be maintained, rather than jeopardized, if staff works on this project.

**Priority Recommendations for Coal Severance Tax Funding
1995 Biennium**

<u>No.</u>	<u>Project and Agency</u>	<u>Amount</u>
1.	Repair and Improve Heating and Ventilation System, STARC Armory	184,800
2.	Infirmary Upgrade, Montana State Prison	350,000
3.	Floor Repairs, Dept. of Corrections & Human Services Center for The Aged 65,400 Montana Developmental Center 80,000	145,400
4.	Replace Office of Public Instruction Rooftop HVAC Units, D of A	130,000
5.	Kitchen Upgrades Statewide, Dept. of Military Affairs	136,500
6.	Roof Replacement for Bldgs 102 & 104, Montana Developmental Center	250,000
7.	Roof Replacement, Capitol Complex, Dept. of Administration Commerce Building 57,000 Scott Hart Building 50,000 Cogswell Building 112,500	219,500
8.	Central Heating Plant Improvements, Montana State University	855,000
9.	Structural Repairs Brockman Center, Northern Montana College	300,000
10.	Limestone Repair on Vet's Pioneer [Historical Society] Building	218,000
11.	Replace Water Main/Repair Boiler & Heating System, Swan River Boot Camp, DCHS [Requested at \$306,250]	186,250
12.	Steam & Condensate Tunnel, Montana State University	1,000,000

[Requested at \$2,368,000]

13. Replace Plains Unit Office Fire Dispatch Center, Dept. of State Lands [Deleted in January 1992 Special Session]	270,000
14. Replace Windows, Cowan Hall, Northern Montana College	300,000
15. Receiving Hospital Window Replacement, Montana State Hospital, DCHS	175,000
16. Capitol Complex Improvement Projects, Dept. of Administration Requested: Window Replacement in Complex 1,459,940 Copper Dome Repair 50,000 Upgrade Electrical Systems 500,000 Rewire Capitol Building 900,000 Interior Painting 150,000 Total 3,059,940	2,000,000
17. Fire Code Compliance, Eastern Montana College	365,000
18. Repair Projects, Dept. of State Lands Requested: Water Treatment System, Forestry 3,000 Pave Parking Lots, Forestry 30,000 Replace Fuel Tanks, Forestry 20,000 Firefighters Bunkhouse, Swan River 15,000 Replace Floor Joists, Stillwater 18,000 Replace Roofs, Olney, Libby, Kal, Swan 18,000 Repair Wall and Roof, Equipment DC 11,000 Furnace and Exhaust Fan, EDC Paint B 14,000 Bury Hazardous Power Lines, Clearwater 1,500 Improve Entries and Access, Statewide 14,000 Replace 28-year Old Tank, Anaconda 8,000 Warehouse Insulation, Equipment DC 4,000 Total 156,500	100,000
19. Paving Projects, Dept. of Corrections and Human Services Requested: Columbia Falls Veteran's Home 34,900 Eastmont Human Services Center 29,075 Montana State Hospital 1,314,610 Total 1,378,585	324,550
TOTAL RECOMMENDED	7,510,000

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